Austria Sch22	Indonesia .. Rp3100	Portugal Esc100
Bahrain .. Din0.650	Israel NS3.50	S.Arabia ... Rls7.00
Belgium BFr48	Italy L1600	Singapore .. S$4.10
Canada ...... C$1.00	Japan Y600	Spain Pta125
Cyprus ...... C£0.75	Jordan Fils.500	Sri Lanka ... Rup30
Denmark .. DKr9.00	Kuwait Fils.500	Sweden ... SKr9.00
Egypt .... E£2.25	Lebanon $L125.00	Switz SFr2.20
Finland ... Fmk7.00	Lux LFr48	Taiwan ...... NT$85
France FFr6.50	Malaysia ... Rin4.25	Thailand Bht50
Germany .. DM2.20	Mexico Pes300	Tunisia .. Din0.800
Greece Dr100	Morocco Dh6.00	Turkey L500
Hong Kong.. HK$12	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway .. Nkr10.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,462 Friday February 12 1988 D 8523 A

In search of a Mid-East peace plan, Page 12

World News

Austrian coalition split over Waldheim

Austrian President Kurt Waldheim was under increasing pressure to step down but neither of the two main political parties could agree on whether to call for his resignation.

The Socialist Party (SPOE) and conservative People's Party (OEVP) of the coalition both accepted that Austria would face long-term damage if Waldheim remained in office after critical findings about his war record by a commission of historians. Page 12

Arafat peace plan

Palestinian leader Yassir Arafat unveiled a Middle East peace plan, including a UN guarantee for Israel's security, West German magazine Stern said. Mid-East questions open, Page 12

Anti-apartheid 'failure'

The West's economic sanctions against South Africa had failed and the republic's economy was buoyant, Reserve Bank governor Gerhard de Kock said. If anything, the sanctions had helped slow down cautious apartheid reforms, he added. Homeland ties, Page 3

Panama drugs claim

An accountant who shuffled drug profits between the US and Panama told a US Senate committee he made payoffs totalling more than $300m to Panamanian military leader Manuel Antonio Noriega between 1979 and 1983. Brazil cocaine gang, Page 4

Mujahideen warning

Mujahideen guerrilla leaders warned that they would not stop fighting Soviet troops in Afghanistan until the present Soviet-supported government in Kabul was replaced by an interim administration with a Mujahideen head of state. Page 3

US accuses S. Korea

The US Government launched a barrage of trade complaints against South Korea, citing broken promises, failure to enforce the law and misconceived special pleading by the Seoul Government. Page 4

Italian pilots strike

Dozens of Italian domestic flights were cancelled because of a strike by pilots over pay and conditions.

Insider dealing law

People accused of insider dealing by foreign countries, in particular the US, would be liable to extradition from Britain under a proposed UK law ammendment. Page 12

Taiwan leader held

Banned Taiwanese opposition leader Hsu Hsing Liang was arrested in Manila as he tried to board a Philippine Airlines flight to Taipei, wearing a wig and disguised to look younger. Taiwan labour disputes, Page 3

Drought victims 'shot'

Twenty Ethiopian drought victims were reported shot dead by government troops in northern Ethiopia for refusing to join a government resettlement scheme, the BBC said.

Iranians demonstrate

Iranians carrying pictures of Ayatollah Khomeini shouted "War, war, till victory" and burned US and Israeli flags in national demonstrations celebrating the ninth anniversary of their Islamic revolution. Iraq condemns Soviets, Page 3

Zaire 'bankrupt'

A Dutch judge declared the whole of Zaire bankrupt because its ambassador in the Netherlands had not paid his rent, gas and electricity bills or secretary's wages for months.

Los Angeles quake

An earthquake measuring 5.9 on the Richter scale shook Los Angeles. Six people were killed, 20 buildings demolished and 36 fires started.

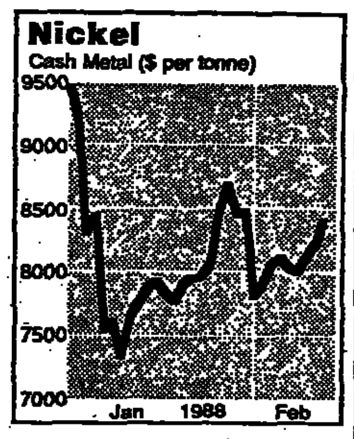
Business Summary

Maxwell bids for Australian newspapers

ROBERT MAXWELL, UK publisher, has made an offer for a package of Australian newspapers and business magazines including the Melbourne Age. The deal, if it goes ahead could be worth between A$800m (US$569m) and A$1bn. Page 12

AMSTRAD, UK computer and consumer electronics group, surprised analysts with a 26 per cent jump in profits to £90.12m ($162m) for the half year to December. Page 13

NICKEL added another $165 to the cash price, taking it to $8,400 a tonne. Some analysts



believe the price is now on its way back to the $9,000 peak reached in December. Page 20

WALL STREET traded in a narrow range all day. At 2pm the Dow Jones Industrial Average was up 7 at 1969. Page 32

LONDON: FT-SE 100 index closed up 11.3 at 1,729.8. Page 28

TOKYO markets were closed for a national holiday.

DOLLAR closed in London little changed at DM1.6910 (DM1.6900); Y129.10 (Y129.00); SFr1.3870 (SFr1.3860); FFr5.7175 (FFr5.7100). Page 21

STERLING closed in London at $1.7585 ($1.7615); DM2.9725 (DM2.9775); Y227.0 (Y227.25); SFr2.4400 (SFr2.4425); FFr10.0550 (FFr10.0575). Page 21

ZANUSSI, Italian appliance manufacturer, had sales last year up 10.6 per cent to L1,769bn ($1.42bn) and cash flow from L115bn to L178bn.

VOLKSWAGEN, West German automotive group, is to launch a new version of its Passat saloon and estate car in European markets during the spring. Page 13

SIDOR (Siderurgica del Orinoco), Venezuela's largest steelmaker, earned profits of $27.2m in 1987 on sales of $897m, down from $70.3m in 1986. Page 15

IMASCO, Canadian fast-food to financial services group, posted a 40 per cent increase in earnings in the last nine months of 1987. Page 13

EDOUARD Balladur, French Finance Minister, abandoned hopes of privatising Union des Assurances de Paris (UAP), the country's largest insurance group, before April's presidential elections. Page 14

LEIGHTON HOLDINGS, Australian building and contracting group which is 45 per cent owned by Hochtief of West Germany added A$1.1m to net profits which reached A$4.2m. Page 15

AMATIL, Australian food group, has extended its Coca-Cola bottling franchise operations with deals in Queensland and Fiji for A$45m (US$32m). Page 15

SIDOR (Siderurgica del Orinoco), Venezuela's largest steelmaker, earned net profits of $27.2m in 1987 on sales of $897m, down from $70.3m in 1986. Page 15

GENENTECH, US biotechnology company, filed a $50m law suit against Monsanto and two former employees, alleging theft of trade secrets. Page 13

CRAY RESEARCH, Minneapolis-based supercomputer maker has introduced a $20m supercomputer, the Cray Y-MP. Page 13

Italy ready again to play the political lottery game

BY JOHN WYLES IN ROME

THE FIRST day of Italy's new political crisis proceeded according to time-honoured tradition yesterday.

President Francesco Cossiga began his search for a new Government; the politicians began blaming each other for the mess they are in; and the statisticians measured the life-span of the coalition, headed by Mr Giovanni Goria at 196 days – putting it only in 29th slot in the post-war brevity league.

Having resigned on Wednesday evening after losing a vote never previously lost by an Italian Government, over the Ministry of Finance's administrative budget, Mr Goria was yesterday trying to solve broader problems in his caretaker status at the EC summit in Brussels.

There, Italy's youngest prime minister may have been struck by certain parallels between his government's plight and that of the Community: both have been spending well above their income and are without a proper 1988 budget; both are constitutionally afflicted by political weakness; and both subject to external domination. In the Community's case, it is the member governments which ultimately dispose, and in Mr Goria's, the leaders of his coalition parties.

According to reports here, the two main party leaders were at odds about whether Mr Goria should resign after his 17th parliamentary defeat in the last three weeks. Mr Bettino Craxi, the Socialist Party leader, urged him to seek a parliamentary debate on the Government's future, but Mr Ciriaco De Mita, the Christian Democrat secretary and the man who made Mr Goria premier, told him to turn in his resignation.

As often happens after days of excitement and hyperbole, the politicians appeared gripped by lethargy yesterday. No one could guess how long it will be before a new government is sworn in, nor who will lead it.

"This crisis has started in the worst possible way and at the worst possible moment," said Mr Craxi after a meeting of his party's executive.

He was partly referring to the fact that the 1988 Finance Bill

Continued on Page 12

Summit hopes hinge on compromise over regional aid package

BY DAVID BUCHAN IN BRUSSELS

THE FATE of the crisis summit on the EC's budget hung in the balance last night, but a possible compromise emerged on increasing structural economic aid to poorer regions.

However, the real search for an overall financial accord that has eluded the EC for more than a year is only expected today. The hardest fighting is likely to be over proposed price cuts, production thresholds and financial guidelines to stabilise the ever-soaring farm budget.

A glimmer of hope for a deal on how much to increase "structural" or regional spending, currently Ecu7bn ($8.54bn) a year, came from a meeting between Mrs Margaret Thatcher, the UK Prime Minister and Mr Felipe Gonzalez, her Spanish counterpart. Both acknowledged the need for a better balance between regional aid and farm spending.

Hints emerged from the bilateral talks that, if a tight cap could be put on farm spending, Britain might agree to more than a 50 per cent increase in the structural funds, while Spain might ease its demand that they be doubled. Spain benefiting itself, Portugal, Greece and Ireland) be doubled by 1992.

An Anglo-Spanish rapprochement would be vital because most other members seem ready to accept an increase in the 64 to 76 per cent range suggested by the West German presidency.

The UK is particularly interested in attracting to its side any potential "swing" votes, such as that of Spain, in the remaining disputes on sectoral farm products. These are cereals and oil seeds, predominantly northern products. Spain would see advantage in neutralising the opposition of the UK, which has so far been the strongest opponent of proposals for doubling the structural funds.

Mr Kohl yesterday defended the modest compromises, mainly on agriculture, embodied in his EC presidential paper.

Mr Jacques Chirac, the French Prime Minister, attending the summit in tandem with his probable electoral rival, President François Mitterrand, gave a warning that he was not satisfied with some farm product stabilisers – notably on wine and sugar – which others thought had been firmly agreed two months ago at Copenhagen.

He could go on today to prove Mrs Thatcher's toughest opponent on cereal output limits and a financial ceiling for the EC farm budget.

Despite his resignation yesterday as the Italian Prime Minister, Mr Giovanni Goria is representing Italy at the summit.

But the inherent weakness of his position paradoxically strengthens his bargaining position, Italian officials predict. For Mr Goria's only effective mandate is to stick to Italy's opposition to the wholesale adoption of a new form of EC financing based on Gross National Product.

Leysen is confident about La Générale defence plan

BY TIM DICKSON IN BRUSSELS AND PAUL BETTS IN PARIS

MR ANDRE LEYSEN, the Flemish businessman, will announce today whether Belgian investors have rallied behind his latest plan to defend Société Générale de Belgique against the hostile takeover attempt of Mr Carlo De Benedetti.

In Brussels yesterday Mr Leysen confidently predicted that following his dramatic late night deal on Wednesday with Compagnie Financière de Suez, the French financial group which speaks for 20 per cent of SGB shares, he would be able to muster an "amalgamated group" of shareholders with an overall majority of the company's capital.

Doubts, however, were being expressed in both Paris and Brussels last night over the enthusiasm of some members of Mr Leysen's camp for the agreement, while further frantic buying of SGB shares on the Brussels bourse – the price jumped above BFr6,000 ($141.6) at one point before closing at Bfr4,850 – prompted speculation that Mr De Benedetti will again increase his offer.

"I'm convinced that the battle is not yet over", a Belgian stockbroker who has been closely involved in the the events of the last three weeks said last night.

Mr De Benedetti's camp, meanwhile, remained tight-lipped for much of the day, but in a statement issued in Brussels last night by his Paris-based holding company Cerus, he indicated that along with his "followers" he controls 38 per cent of SGB and is by far the biggest single shareholder "even before the offer period has begun."

He also repeated his willingness to allow Belgian shareholders "equal" participation in the capital and an equal number of seats on the board (to be chaired by a Belgian), but he added that he would "create in the interests of effective management a new executive committee which he would head

Mr Leysen yesterday also emphasised his determination to retain a "Belgian anchor" in the country's most powerful business institution and explained that under the outline deal Suez will cede 5 per cent of its holding to his "camp", which would then hold 28 per cent of SGB. Suez, meanwhile, confirmed that it is happy for the SGB management to remain in Belgium, while it shares Mr Leysen's aim of developing a more European oriented strategy.

Mr Leysen's camp consists of 18 different Belgian companies and institutions, including the insurance companies Royale Belge and AG, the brewery concern Artois, and a new Flemish investment company Lessius.

The doubts of some of these groups were understood to centre on the possible cost of the operation, the cohesion of the different parties, and fears about the intentions of the French part of the proposed "coalition."

Bank urges London SE reform

BY CLIVE WOLMAN IN LONDON

MR ROBIN Leigh-Pemberton, Governor of the Bank of England, last night called for a "reconsideration" of the fortnightly stock exchange account system, which he said could be a potentially destabilising factor in the financial system in the event of another sharp fall in share prices.

"One characteristic of the stock exchange account arrangements in London is that they can contribute to an accumulation of counter party exposure," he said in a speech at the City University Business School in London. He suggested this could lead to a domino effect, with one insolvency triggering another.

Under the account system, share bargains must be settled by the transfer of cash and share certificates between buyer and seller only once every two weeks. As a result, there is an average 16-day delay between the striking of a bargain and its settlement, even if bargains are settled promptly. Many bargains remain unsettled for several account periods.

Mr Leigh-Pemberton said that, at the time of the October crash, these features of the system "gave rise to worries in the market about a number of firms and clients – which, fortunately, in the event, turned out to be misplaced. But in circumstances where the whole system is under strain, the likelihood of contagion is far greater if firms are disproportionately exposed to particular counter parties."

Evidence of the level of UK stock market liquidity four months on from the crash came yesterday when County NatWest Investment Management, the fund management arm of the National Westminster bank, of the UK, said it had carried out a package deal involving the purchase and sale of 422 UK stocks, in a set of transactions worth £350m ($615m).

The size of the deal, which was carried out over three weeks ago by the London securities firm, James Capel, for three County Natwest investment clients, demonstrated that market liquidity had been largely restored to the pre-October crash level, Mr Bruce Pullman, one of the investment managers involved, said. The largest package deal carried out before the crash is thought to have been about £350m.

The latest transactions were carried out at prices only slightly worse than those being

Continued on Page 12

Bank bulletin, Page 5; Lex, Page 12

Paul Volcker, ex-Federal Reserve Board chief (right), with Geoffrey Owen, Financial Times editor, in the newspaper's London newsroom last night

FT celebrates 100 years in the pink

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

MR NIGEL Lawson, the UK Chancellor of the Exchequer, yesterday broke with tradition when he told guests of the Financial Times that there was no prospect next month of a cut in the basic tax rate to the level seen when the newspaper was first launched 100 years ago.

Speaking at a dinner to celebrate the FT's centenary, Mr Lawson told guests at the Guildhall in the City of London that it was a well-established and soundly based tradition in the month or two before the Budget that the Chancellor "makes no speeches and avoids the company of pretty well everyone, but most particularly of the press".

But as a former journalist on "one of the great newspapers of the world" he had decided to break the rules for the first time in almost five years as Chancellor to help celebrate its first 100 years.

Continued on Page 12

FIRST ISSUE REPRINT

THE first issue of the Financial Times was published 100 years ago tomorrow. The original four-page issue is re-published as part of today's paper. Tomorrow's issue will include a review of The Financial Times, a Centenary History, by David Kynaston, published by Viking at £25.

An 84-page survey, The First Hundred Years, will be published in Monday's Financial Times. In it, FT writers and distinguished outside contributors look back over the past century and forward to the next. The survey spans the full range of the FT's coverage, including business, economics, politics, technology and the arts.

Centenary dinner, Page 6

Ford to lay off further 7,200 from Belgian factory

By Charles Leadbeater and William Dawkins

A FURTHER 7,200 production workers are to be laid off at Ford's assembly plant in Genk, Belgium, as a result of the deepening disruption to the company's Continental operations caused by the strike of Ford's 32,500 UK manual workers, which started four days ago.

From Monday the workers from Genk's Sierra production line will join 2,500 workers from the plant's Transit line who were laid off on Tuesday. Both lines rely on parts manufactured at some of the 22 strike-bound plants in the UK.

Sierra production will be halted because the UK strike, over the company's three-year pay and conditions offer, has stopped supplies of body panel reinforcement brackets.

The latest lay-offs at Genk mean that 9,700 of the plant's 11,000 employees have now been sent home, on 65 per cent of their salaries.

The Belgian factory will now be losing production of 1,670 vehicles a day, worth BFr473 ($13.4m) at showroom prices.

This is in addition to the £380m ($668m) Ford in Britain has lost as a result of the strike and unofficial disputes during negotiations which started last October.

European union officials said it was likely there would be lay-offs next week at the company's plant at Saarlouis in West Germany, where production has already been cut by 350 vehicles a day to 1,000.

Union officials at Ford's Colgone factory said they had been told that the Cologne engine plant would come to a halt on February 14.

Union officials at the Iveco-Ford Truck plant at Langley, just outside London, which relies on engines from Dagenham, Essex, and other parts from Swansea, Wales, have been told that production is likely to be disrupted in 10 to 13 days.

Ford is attempting to maintain production at Cologne by making extra shipments of engines from its engine plant at Valencia, Spain.

However, British union leaders said that both the West German union IG Metall, and Spanish union leaders had given a commitment that they would not work extra overtime or boost production to allow the company to make up for the shortfall of supplies from the UK.

The Transport and General Workers Union, the main Ford union in the UK, expects the strike to last several weeks.

Renault strike threat in UK, Page 5

CONTENTS

Eastern Europeans are on the move, **Leslie Collit and Christopher Bobinski report**

Bite of the travel bug leads people to the West

A STREAM of tiny slow-moving European cars with PL, H and DDR nationality stickers joined the tide of traffic on Western Europe's highways last year.

The occupants of the cars – from Poland, Hungary and East Germany – munched on food brought from home to save money. Occasionally the Eastern travellers sold liquor and handicrafts at rest stops to improve their meagre finances. They were the most visible evidence of a record number of East Europeans being allowed out to visit the West.

The easing of restrictions on travel to the West by several East European countries was in compliance with the United Nations Declaration of Human Rights and the Helsinki Declaration. But in the final analysis it was in response to longstanding internal pressures from disgruntled citizens.

Poland was the first East European country to allow its citizens to travel in large numbers to the West. Experience has taught the Polish authorities that letting their citizens travel provides a safety valve as well as bringing hard currency into the country. Savings held by Poles in hard-currency accounts at Polish banks invariably dip before the summer season and then grow to an even higher level than before in the autumn when the travellers return.

Western governments which have long criticised the inability of East Europeans to travel to the West are only now beginning to realise the importance of eased travel restrictions. Although most East European countries now grant tourist visas to Westerners within 24 hours, nearly all Nato countries still require a lengthy screening procedure before allowing Eastern visitors to enter.

Thus the most difficult problem for a travelling Pole is not obtaining a passport valid for travel to the West - the refusal rate is 5 per cent, the Government says - but instead obtaining a visa to enter a Western country. Western governments suspect that many Poles travelling to the West want to remain.

All in all Poles made 957,000 tourist trips to Western countries in 1986 compared to 1.2m in 1981 and a mere 300,000 in 1982, the first year of martial law. Some go as tourists, some work, while others trade. Many combine all three.

The search for new sources of supply for the domestic black market is a constant one, and scouting parties have been sighted as far afield as Peru. The Polish Pope draws Poles to Italy (55,000 in 1986), and West Germany is most liberal with its visas - there were 335,000 Polish visits in 1986.

Hungarians with enough money are now able to travel to the West and Yugoslavia virtually on demand. A record 900,000 Hungarians travelled to the West in 1986, 16 per cent more than in 1985 and an impressive figure for a country of 10.6m inhabitants. Only 0.4 per cent of them failed to return, according to the Government.

By contrast with Hungarians and Poles, citizens of Czechoslovakia are frustrated by an elaborate and costly application procedure for a passport. The result was that only 492,000 out of 15.5m Czechoslovaks visited the West in 1986.

Several Eastern European countries have recently eased travel restrictions to the West – but attempts to take advantage of the new freedom are often hindered by red tape and suspicion on the part of the Western governments

The rise in the number of visits by East Germans to relatives and friends in West Germany has been so dramatic that citizens take in their stride being told they can actually begin their journeys to the West only 24 hours before the departure date.

About 1.2m younger East Germans visited relatives and friends in West Germany last year, double the 1986 total. In addition 1.8m pensioners visit the West each year. This experiment in liberalised travel is likely to be expanded if the number of East Germans who fail to return home remains low.

Romania has Eastern Europe's most restrictive policy on travel to the West and Romanians even find it difficult visiting other East European countries. This includes neighbouring Hungary where many of the 1.7m Romanian citizens of Hungarian origin have relatives. Many more Hungarians are able to visit relatives in Romania but, according to the Hungarian press, frequently encounter harassment at the border.

Paradoxically, while travel to the West has surged, travel for Easterners inside Eastern Europe is becoming more difficult. Curbs have been introduced as a result of "shopping tourism" by East Europeans who are constantly on the look-out for goods which are cheaper or more easily obtainable than in their own country. Most East European countries resent such buying as they are barely able to produce sufficient consumer goods for their own population, and the issue has caused some friction.

Poles, who are among the most travelled in Eastern Europe, have come up against resentment from host countries. There have been charges that they trade on the black market and deplete scarce domestic supplies. They are also adept at buying hard currency in neighbouring countries.

Other Eastern Europeans also trade, but the Poles are more visible. Rows at customs points, and demands that Poles pay deposits on the goods they bring in, have all contributed to the hostile climate. But the root cause is the lack of convertability of Comecon currencies and endemic shortages which official state traders are incapable of resolving in their annual trade agreements.

Czechoslovakia, in particular, is dissatisfied with the make-up of visitors entering it from the East. A tourism official in Prague complained recently that while the number was high – more than 16m visitors annually – the "quality" was not.

US drops demand for sole say in joint space station

By Peter Marsh

THE US has backed down on demands that it remain in sole charge of a $20bn international space station due for the 1990s.

The change of heart paves the way for a formal agreement on building the base with Washington's main partners in the venture, Western Europe and Japan.

Negotiations on the orbiting base are now likely to be concluded in the next few weeks. This would result in aerospace companies from Europe and Japan formally joining the development effort later this year.

Discussions between the US and the other countries over the station, which is due to house scientific experiments and a crew of eight astronauts, have gone on for the past two years. Some of the negotiating sessions have been fractious.

The US is due to contribute about $14bn to the construction costs, with Western Europe, represented by the 13-nation European Space Agency, and Japan putting up most of the rest. Canada is to have a small part in the venture.

Western Europe, under what it calls its Columbus project, is to provide a laboratory for scientific experiments and other orbiting equipment.

Japan is scheduled to contribute a laboratory, while Canada is to develop robotic equipment for servicing the structure.

The US intends to build the basic core of the station, a laboratory and accommodation units.

Much of the disagreement in the international discussions has related to US insistence that it should have the final say over administering the structure, including the parts that the other countries provide.

The US has said this fits in with its role as the project's biggest paymaster and as the co-ordinator of the development phase, which is due to end in the mid-1990s when the base is fully operational.

The other countries, Western Europe in particular, have disagreed, saying a decision-making structure should be set up to permit them to influence issues such as types of experiments on the station and docking arrangements with space vehicles.

To settle the issue, a form of words was agreed at a meeting in Washington last week in which Mr Heinz Riesenhuber, West Germany's technology minister, and Mr George Schultz, the US Secretary of State, acted as conciliators.

The US agreed that Western Europe should have full authority over two parts of Columbus which will dock with the main body of the station only periodically.

These are an unmanned scientific platform and a manned spacecraft for experiments which for most of the time will be in independent orbit.

As a compromise, Western Europe's negotiators said the US could have jurisdiction over the main laboratory element of Columbus which will remain permanently fixed to the core of the base.

On the contentious issue of whether the US should have the right to administer military-related experiments on the station, the partners agreed to stress the primarily non-military nature of the orbiting outpost.

Studies organised by the Defence Department will, however, be allowed as long as they do not involve the testing of weapons. This could permit the base to be used for experiments related to Washington's Strategic Defence Initiative ("Star Wars") project.

One European participant to the negotiations said: "Unless the Defence Department more or less takes over the base and totally distorts its civilian nature, then military experiments will be OK."

The details of the proposed agreement have to be communicated to the individual nations within ESA for further discussion.

If no further hitches arise, a formal signing of a final concord between the partners is expected in April.

Nato urged to review strategy

By Robert Mauthner, Diplomatic Correspondent

MR FRANCOIS Heisbourg, director of the London-based International Institute of Strategic Studies, yesterday added his voice to the growing number of advocates of a new "wise men's" report on Nato's strategy and arms control priorities.

Such a review by an independent international panel of experts, which could be headed by a leading figure such as Lord Carrington, the outgoing Nato Secretary-General, would be modelled on a similar report prepared by Mr Pierre Harmel, a former Belgian Foreign Minister, in 1967.

Mr Heisbourg, who was addressing diplomatic and Commonwealth correspondents in London, said a Nato study being prepared on arms control policy and its compatibility with the Alliance's strategy, had run into predictable conflicts of national interest. Only an independent study could produce ideas which were more than just a meaningless compromise of national positions.

Among the problems which could be dealt with by what is already becoming known as "Harmel 2", were the consequences of a reduction of short-range nuclear weapons on Nato's strategy of flexible response, currently the subject of fierce debate between West Germany and its alliance partners.

While in favour of the retention of short-range nuclear arms in Europe, Mr Heisbourg considered it would be wise not to force too quick a decision in this field to prevent an exacerbation of the divisions between member states. A final decision on short-range nuclear weapons should be delayed until the proposed strategic review was completed, some time in 1989.

Mr Heisbourg stressed that the recent agreement on closer military co-operation between France and Germany was an important step towards strengthening the European pillar of Nato, without in any way undermining the Alliance.

If the Franco-German Defence Council worked in practice, it could be broadened out to all seven members of the Western European Union, including Britain. The idea was not that such a council would replace the Nato Supreme Command, but that it would act as a forum for co-ordinating European policy within Nato.

Mr Heisbourg saw no prospect of France rejoining Nato's integrated command structure *in peacetime, but it could join* in military planning.

Spain markets bill ready for approval

BY TOM BURNS IN MADRID

THE SPANISH Government is expected today to approve legislation to put before parliament for long-awaited reforms of the stock exchange.

Under the legislation a new supervisory body would be set up and the system of brokerage firms changed. It would also introduce a national "super exchange" and impose codes of conduct in line with European directives.

A government official said yesterday it would be "pretentious" and "exaggerated" to speak of a "big bang" but said the reforms would usher in greater flexibility and freedom to Spain's four *bolsas*.

The capital markets bill, announced in outline last July by Mr Carlos Solchaga, the Economy Minister, has undergone a painstaking drafting process, largely because of complaints by Spain's entrenched stockbroking community, the *agentes de cambio y bolsa*.

With the changeover to a new system of brokerage houses and dealerships, the *agentes* would lose both their individual role as brokers and the lucrative public notary role they play on the floor of the bolsas.

The new market firms would, however, remain largely the preserve of the current brokers until 1992 and foreign participation would be limited.

The *agentes* would also have their power over the *bolsas* curtailed by the introduction of a new body modelled on the US Securities Exchange Commission, the National Capital Markets Commission. The chairman would be appointed by the Government for a renewable four-year term.

Had the system been in operation last December, the Board of Madrid *agentes* would not have been able to thwart Banco de Bilbao's public share offering for Banco Espanol de Credito (Banesto) on the grounds of a controversial legal technicality.

The legislation, by introducing European norms of conduct, should go some way towards meeting criticisms of business malpractice and insider trading on the *bolsas*. A government official admitted that Spain was "starting from almost zero" in this respect.

The bill also clearly aims to introduce greater flexibility to the *bolsas* by outlining the creation of a "super exchange", a computer link-up between Madrid, Barcelona, Bilbao and Valencia that dispenses with the system of *corros*, 10-minute trading periods for blue-chip stocks, and replaces it with continuous trading.

Officials expect that after a cabinet meeting today, the bill will go before parliament before the summer recess for implementation in the third quarter of the year.

Honecker agrees to ease links between Berliners

BY LESLIE COLITT

NEARLY 40 years after the division of Berlin into East and West, the East German leader Mr Erich Honecker and the Mayor of West Berlin, Mr Eberhard Diepgen, agreed in East Berlin yesterday to improve West Berlin's contacts with East Berlin and surrounding East Germany.

Mr Honecker said East Germany will allow visiting West Berliners to spend two consecutive days in East Berlin instead of only one as before. The first official contacts since 1948 between districts in West Berlin and bordering East German districts will also be permitted, the East German leader said. He held out the prospect of a "twinning" between the West Berlin districts of Zehlendorf and Spandau and East Germany's adjacent districts of Koenigs Wusterhausen and Nauen.

Mayer Diepgen and President Honecker met at Niederschoenhausen Castle in East Berlin after their planned meeting last year in Berlin on the city's 750th anniversary collapsed in acrimony.

The Mayor's visit came shortly after widespread arrests of East German civil rights campaigners who were then largely expelled to West Germany.

Four more East Germans were released from detention and sent to West Germany against their will, they said yesterday. They had begun a hunger strike in sympathy with East German civil rights activists who were arrested after attempting to join an official rally in East Berlin last month. Eye witnesses said at least four East Germans were arrested yesterday shortly before Mayor *Diepgen* arrived at West Germany's mission in East Berlin.

Turks act on Kurd incursions

By Jim Bodgener in Ankara

REGULAR Turkish army troops are replacing gendarmes guarding Turkey's 13 border crossings with Syria, Iraq and Iran. The Turkish general staff says the move is for greater efficiency, but security sources say it is to tighten border security against incursions by Kurdish nationalist guerrillas.

The general staff says officially that the move will regularise border operations, since the army already mans Turkey's other crossings with the Soviet Union, Bulgaria and Greece.

Attacks on security forces by Kurdish separatist insurgents escalated dramatically in the south-east in 1987. A total of 240 villagers and more than 50 members of the security forces were killed by Kurdish guerrillas, some in bloody massacres which shocked Turkish public opinion. The army has been criticised in the press for its failure to halt the attacks.

The guerrillas are believed to infiltrate Turkey from bases in Syria, Iraq and Iran. Ankara has an understanding with Baghdad about hot-pursuit operations across the border into Iraq, but a retaliatory strike by Turkish jets last March aroused strong protests from Tehran, which uses Kurdish guerrillas as a proxy irregular army inside Iraq.

Since then, no known further hot-pursuit operations have been launched into Iraq. However, the Turkish military in recent months has intercepted and repatriated groups of Iranian revolutionary guards at least twice.

They had strayed into Turkey on their way to commando operations in Iraq, often jointly with the guerrillas. Recent advances by the latter inside Iraqi territory towards Baghdad's main export pipeline which terminate in Turkey have further complicated Ankara's delicate balancing act between the two Gulf combatants.

A deal whereby Syria would curb guerrilla movements within Syrian territory in return for assurances from Ankara about use of water for irrigation from the Euphrates was *said to have been talked of* last year.

Jaruzelski attacked for closer ties with Israel

BY CHRISTOPHER BOBINSKI IN WARSAW

THE EFFORTS of Gen Wojciech Jaruzelski, the Polish party leader, at improving relations with Israel have come under fire from within the Polish communist establishment.

The Grunwald Association, a small group with links to the security apparatus, has protested against recent visits to Poland by the Israeli Philharmonic Orchestra and Israeli dance companies, and against sports fixtures between the two countries.

In a recent statement, Grunwald said that "such practices are an attempt to break the growing isolation which Israel now finds itself in.

"How can they be reconciled with Poland's official declarations of support for the Palestinian people?" it asked.

Poland, in common with other Warsaw Pact states, broke diplomatic relations with Israel after the 1967 Middle East war.

Next April's 45th anniversary of the uprising in the Warsaw ghetto, will be the occasion of a major effort by Polish leaders at rapprochement with world Jewry. The commemorations will be preceded by a party statement condemning the anti-semitic purge of 20 years ago.

In March 1968 the crushing of student demonstrations was followed by a purge in the Communist Party in which thousands of Polish Jews lost their jobs and subsequently emigrated. Many of today's Polish communist leaders were promoted during that period.

Attempts to improve relations were started by the Polish authorities in the late 1970s but only gathered steam in recent years when low level diplomatic contacts between the two countries were resumed with Soviet approval.

Hungary's communists divided in face of pressures for reform

Leslie Colitt examines the growing movement among intellectuals calling for liberalisation

CONFRONTED with growing pressure for political liberalisation, the Hungarian Communist leadership is divided on how to deal with it.

The dilemma was highlighted after a recent meeting in Budapest of the Democratic Forum, an unofficial organisation which demanded radical political reforms. The gathering of nearly 500 prominent Hungarian economists, political scientists, sociologists and writers was extensively commented on in the government newspaper Magyar Hirlap. While agreeing with the forum's views on several points, the newspaper rejected as an "ultimatum" the forum's demand that its views be published in the official press.

Meeting in a rented theatre, the forum called for a greatly strengthened parliament with full time deputies meeting in permanent sessions. Parliament, it said, should be chosen under a new electoral law and should then adopt a democratic constitution. The Government should be made accountable to parliament and its members accountable to the electorate. Free association should be permitted and restrictions lifted on the media and on freedom of speech.

Magyar Hirlap replied that most of these issues had long been on the agenda of "public forums" in Hungary. "The document's drafters are actually knocking on open doors," it said.

A working committee began drafting a new electoral law in 1986, the government newspaper added. It agreed the "time is ripe" for a newly elected parliament to work out a revised constitution. But it rejected the forum's call for a preparatory committee to work out the principles and operation of parliament. Committees could not be formed outside the "legally elected" institutions, the newspaper cautioned.

Many of the radical views put forward by the forum were formulated last September at a gathering of Hungarian intellectuals in Lakitelek. It was attended by Mr Imre Pozsgay, the reform-minded president of the People's Patriotic Front who angered conservatives in the party by agreeing with many of the demands. Mr Pozsgay's offer to help the forum was rejected however for fear this might compromise its independence.

In addition to the revolt among intellectuals, the party faces mounting calls for sweeping reforms from within its own ranks. Mr Gabor Fodor, a lecturer at the party's political academy in Budapest said in an interview with the weekly Otlet that there could be no democratisation without reforming the party itself. He called for an end to its refusal to publish minority opinions under the guise of democratic centralism.

The party's youth organisation too is being deserted by Hungary's intellectual elite. Mr Csaba Hamori, the First Secretary of KISZ, the youth organisation, admitted on Hungarian TV recently that at several large universities KISZ had become a "marginal" organisation.

Palestinian boat to sail by Saturday

PLO OFFICIALS said yesterday that "a secret war" by Israel delayed departure of a shipload of Palestinian deportees, but they promised to sail for Israel by Saturday morning, AP reports from Athens.

A ship with some 130 Palestinians deported by Israel and hundreds of observers and journalists was originally due to leave on Tuesday, then on Wednesday.

PLO spokesman Bassam Abu Sharif said the most important reason for the delay was "the secret war going on between the PLO and the Israelis, who have used all their means and methods ... To prevent the sailing of the journey of return."

Abu Sharif, who said on Wednesday that Israel had threatened the families of ship owners, said that "Israeli threats extended even to sailors."

He cited a telegram of support by Greece's dominant seafarers' union, the Panhellenic Union of Merchant Seamen.

Cyprus's president faces the toughest test of his Houdini-like powers of survival, writes **Andriana Ierodiaconou**

The boredom factor threatens Kyprianou's election hopes

WHEN Greek-Cypriots wake up on Sunday, their minds will not be on St Valentine, despite the arrival through television advertising of that hitherto little-known saint on their island.

Instead they will be preoccupied with what promises to be the most interesting, and unpredictable presidential election in its recent history.

Sunday's polling will put to the test as never before incumbent President Spyros Kyprianou's reputation as a wily political survivor, possessed of almost Houdini-like powers of extrication from difficulty.

He has been president of the island republic since the death 11 years ago of Cyprus' first post-independence president, the charismatic Archbishop Makarios.

The island has been divided and the Greek- and Turkish-Cypriot communities segregated since 1974, when Turkey invaded and occupied over one third of its territory in the wake of a coup staged in Nicosia by the Athens military junta. Only Greek-Cypriot voters, numbering about 363,000, will take part in Sunday's poll.

In the last presidential elections in *1983, Mr Kyprianou* scored a first round victory thanks to a tactical alliance with the pro-Moscow AKEL party, historically the most influential political force on the island.

Under the electoral system, a president may be elected with an absolute majority in the first round of voting. If no candidate secures a majority, then the two frontrunners compete in a run-off a week later. Unlike previous elections, this one promises to be a second round contest with a vengeance.

The crucial factor is that, for the first time, Mr Kyprianou is going it alone, having renounced his alliance with AKEL on the eve of UN-sponsored summit talks on a Cyprus settlement in January 1985.

Those talks failed, after Mr Kyprianou declined to sign a framework settlement which was acceptable to the Turkish-Cypriots. In the immediate aftermath of the talks, the centre-right president was castigated for his alleged intransigence by both the AKEL communists and the right-wing Democratic Rally (DYSY) party led by Mr Glavkos Clerides.

Since then, Mr Kyprianou's opponents of right and left have tended to align their positions on the "national issue" with his: that is, they publicly endorse his insistence on the withdrawal of Turkish troops from the island's north, and on the return of Greek-Cypriot refugees to their homes, as basic elements in any settlement.

Spyros Kyprianou: going it alone

But Western diplomats in Nicosia do not appear to have revised their view of Mr Kyprianou as the least transigent of Greek-Cypriot politicians, along with Dr Vassos Lyssarides and his EDEK socialist party.

AKEL's political divorce from Mr Kyprianou has generated the second novel feature of the 1988 race: the candidacy of Mr George Vassiliou, a businessman and complete newcomer to the Byzantine world of Cypriot politics, who is running as a Communist-backed independent candidate.

Mr Vassiliou has captured the imagination of many Greek-Cypriots, bored with the same politician's faces on their television screens for the last 11 years and eager for the *allaghi* (change) promised by the new candidate.

In the absence of reliable polls and given Cypriot voters' traditional adherence to party lines, most analysts are basing their predictions on the results of the 1985 parliamentary elections.

At that time Mr Kyprianou's political opponents hoped to cash in on the wave of public disappointment generated by the failure of the New York summit.

Instead, many voters appeared to endorse Mr Kyprianou's relatively hard line towards the Turkish side. They rewarded his DIKO party with a record 27.6 per cent, elevating it to second place behind Mr Clerides' DYSY with 33.3 per cent.

AKEL ran a surprisingly poor third with 27.4 per cent and Dr Lyssarides' socialist EDEK, fourth with 11.7 per cent.

On the basis of the 1985 figures, analysts expect the 1988 elections to develop into a second round battle between Mr Clerides on one hand and either Mr Kyprianou or Mr Vassiliou on the other.

In the event of a Kyprianou-Clerides runoff the betting is in favour of the incumbent president, as AKEL voters are thought more likely to opt for a former, albeit errant, ally than for an outright ideological foe. The outcome of a Vassiliou-Clerides contest will be determined by DIKO voters. As one Western diplomat in Nicosia put it, "Kyprianou will be either a king or a king-maker in these elections". The president is keeping his plans for a second round in which he is not a participant very close to his chest.

Mr Kyprianou's opponents have tried to steer the electoral debate away from the "national question" and towards domestic issues.

The tactic appears to have worked. Despite having rewarded Mr Kyprianou for his uncompromising stand in settlement talks in 1985, Greek Cypriot voters apear to worry little over whether the president's opponents might give advantages away to the Turkish side, preferring to concentrate on internal matters. Convincing well-heeled Greek-Cypriot voters that the economy is on the ropes has proved difficult in the face of a per capita income of CY £3,200 a year, an inflation rate of 2.8 per cent and an expected record current account surplus of CY £50mln 1987.

However Mr Kyprianou is much more vulnerable on issues such as nepotism in public administration, or his alleged failure to consult other political parties. Both Mr Clerides and Mr Vassiliou have promised to establish national unity governments if elected. Above all, the incumbent president is vulnerable to the "boredom factor"

"It's time someone else had a go," is the dogged refrain of many Greek-Cypriots. The president and his supporters however are buoyed by the belief that Mr Vassiliou will ultimately prove too much of a political paradox for some AKEL voters, diverting support to Mr Kyprianou. The son of an AKEL stalwart who fought on the communist side in the 1945-1949 Greek civil war, Mr Vassiliou himself studied economics in Budapest before later attending the London School of Economics.

As an adult in Cyprus he was known as a successful businessman, founder of a lucrative market research company. His political backers are oddly mixed, with AKEL communists jostling with figures such as Mr Nikos Rolandis, former foreign minister and regarded as pre-eminently pro-American.

In addition, the president hopes to draw some votes away from the socialist Dr Lyssarides, whose tough nationalist line is similar to his own.

The hope is that EDEK voters will give tactical support to Mr Kyprianou in order to avert a possible Clerides victory in the second round. For Mr Clerides himself, the 1988 elections are the second attempt to oust Mr Kyprianou in the past 11 years. Like the president, a British-trained barrister and experienced politician, Mr Clerides is well aware that the 1988 elections are probably his best shot yet at the presidency, thanks to the president's split with AKEL.

If he sends any Valentine cards this year one of them might well go to Mr Vassiliou.

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Pakistan stance could ruin peace deal, says Kabul

BY WILLIAM DULLFORCE IN GENEVA

NO AFGHAN solution will be reached in Geneva next month if Pakistan insists that it will sign a peace agreement only when a neutral interim government has been set up in Kabul, Mr Abdul Rahim Hates, President of the Afghan National Reconciliation Commission, declared here yesterday.

"We will not give anybody such power to decide the internal problems of our country," Mr Hates added. The Commission he heads was set up by the Soviet-backed regime in Kabul at the beginning of last year.

Mr Hates, who described himself as a non-politician with no party affiliation, also said there was "no question" of the People's Democratic (Communist) Party being excluded from the coalition government that would run Afghanistan after the signing of a peace agreement.

There was "no such idea" that President Najibullah and the PDP would be "neglected from power", Mr Hates said. The coalition government would offer scope for all parties, "opponents and state parties", to come together for the reconstruction of Afghanistan, he declared.

Rebel mujahideen leaders, operating from Pakistan, have stated that they would not share power with the Afghan Communists after the departure of Soviet troops.

Mr Hates's statements reflect the ambiguity over the formation of an interim government in Kabul still clouding the prospects for the meeting in Geneva on March 2, at which Pakistan and Afghanistan will resume their indirect talks on an Afghan peace agreement under the aegis of Mr Diego Cordovez, the UN mediator.

Mr Mikhail Gorbachev, the Soviet leader, had said on Monday that Soviet troops would start withdrawing from Afghanistan on or before May 15, if an agreement was signed in Geneva.

His statement and Mr Cordovez's 20-day shuttle between Kabul and Islamabad, which ended on Tuesday, have raised hopes that an accord could be reached in Geneva. Both, however, have sidestepped the issue of establishing a coalition government.

Rebels say regime has to go

By John Elliott in Islamabad

MUJAHIDEEN guerilla leaders last night warned that they would not stop fighting Soviet troops in Afghanistan until the present Soviet-supported government in Kabul was replaced by a interim administration with a Mujahideen head of state.

This has been decided by the guerrilla leaders as a response to the announcement earlier this week by Mr Mikhail Gorbachev, the Soviet leader, that Soviet troops could start leaving Afghanistan on May 15 if an agreement is signed at talks in Geneva starting on March 2.

Yesterday Mr Yuri Vorontsov, Soviet deputy foreign minister, said in Islamabad after meeting Pakistan Government leaders that the peace accord's four documents dealing with troop withdrawals, non-interference in Afghanistan by outside powers, and the return of refugees "are ready and can be signed speedily".

He warned that "any delays in the signing of the accords will not be of the Soviet Union's making".

The Mujahideen's decision to continue fighting till the government is changed, irrespective of whether there are troop withdrawals, highlights the first big snag to appear since Mr Gorbachev's speech. It is, therefore, a tougher Mujahideen line than previous statements about continuing fighting till Soviet troops leave.

"Our first condition is that the government must be changed. We will fight till that happens," said Mr Yunis Khallis, chairman of an alliance embracing the seven main guerrilla groups.

"We were fighting the Communist-based regime before the troops arrived eight years ago, so it is the regime which is our prime target, and unless this thing is solved we carry on fighting," said Pir Sayed Gailani, leader of the moderate National Islamic Front.

Soviet coolness on Iran arms embargo irks Iraq

IRAQ has again condemned the Soviet Union for not supporting more vigorously moves in the UN Security Council for an arms embargo against Iran, **Richard Johns reports.**

The latest public complaint by Mr Taha Yassin Ramadan, the powerful First Deputy Premier, comes only a week after the visit to Moscow by Mr Tariq Ali, the Foreign Minister, and reflects the Baghdad regimes's growing frustration with the failure of the council to have agreed on sanctions in support of July's Resolution 598.

In polite but pointed terms Mr Ramadan accused Moscow of "furthering international interests" at the expense of a resolution of the conflict.

Western diplomats believe that one reason for Soviet diffidence over the question of an embargo is its concern to obtain Iran's non-interference in Afghanistan's affairs in the event of a Soviet withdrawal.

● Mr Yassir Arafat, Chairman of the Palestine Liberation Organisation, plans to go to Moscow before the end of February for talks on the US initiative. He is looking for a fullsome Soviet commitment to an international conference as the framework for a peace talks and PLO representation

South Korean appointment signals more democratic appoach

Roh names Prime Minister

BY MAGGIE FORD IN SEOUL

MR ROH TAE WOO, President-elect of South Korea, yesterday signalled his intention to pursue a more liberal approach to government by appointing a Prime Minister with clear democratic credentials.

Breaking with a tradition followed by the last two military-backed rulers, he appointed Mr Lee Hun Jae, 59, a top academic born in Chungchon province. Almost all leaders of the country's ruling group, including Mr Roh and President Chun Doo Hwan were born in the highly developed, rich Kyongsang province, which has been a big cause for complaint in the past.

Mr Lee demonstrated his objection to authoritarian rule when he resigned his post as president of Seoul National University in 1985, in protest at the introduction of a repressive law against student demonstrations.

He is to be given a say in the selection of the new cabinet to be appointed later this month, contrary to past practice.

In an effort to follow through on his promise to pursue national reconciliation, Mr Roh is reported to have looked first to the disadvantaged Cholla province for a candidate, but to have found nobody suitable.

Mr Lee, whose background is in economics, returned to teaching after his resignation. He was responsible for negotiating with student leaders and the university administration and has an image of fairmindedness and good administrative ability.

The rest of the Cabinet posts are to be announced shortly before Mr Roh's inauguration on Febuary 25. His new presidential secretary was also appointed yesterday. Mr Hong Sung Chul, 62, was born in North Korea and a former senior officer in the Marines; he has served at top level in the presidential secretariat and in Cabinet posts for a number of years.

Meanwhile, South Korea's opposition politicians have reacted rapidly to the resignation of Mr Kim Young Sam as leader of the biggest party last Monday. Mr Kim's resignation, in order to pave the way for unity of the opposition before National Assembly elections in the spring, has been followed by a spate of meetings between his Reunification Democratic Party and the Party for Peace and Democracy led by Mr Kim Dae Jung.

Both Kims were widely blamed for splitting the opposition in last year's presidential election, allowing Mr Roh to win with only 37 per cent of the vote. Mr Kim Dae Jung has hinted that he too may take a back seat in the interests of unity.

Vietnam to free former officials

VIETNAM announced yesterday that it will free more than 1,000 former officials of the overthrown South Vietnamese government who had been held in "re-education" camps since the Communist victory in 1975, **AP reports from Bangkok.**

The amnesties were among more than 9,000 granted to prisoners and detainees who were being released or having their terms reduced to mark Tet, the lunar new year falling on February 17, said Vice Minister of Information Phan Quang.

Authorities have been celebrating the 20th anniversary of the 1968 Tet offensive, when the Communists launched a widespread attack on US and South Vietnamese troops in a turning point in the war.

Quang told a news conference in Hanoi that the officials were among 2,586 prisoners and 3,820 detainees being freed. He said 2,768 prisoners were having their terms reduced.

Quang, quoted by the official Vietnam News Agency monitored in Bangkok, said the former officials included "quite a number" of generals, high-ranking officers, Cabinet ministers, senators, and members of the lower house.

Mixed reaction to Hong Kong proposals

IF PRO-CHINESE newspapers in Hong Kong were all praise yesterday for the good sense of government proposals for political reform, published on Wednesday in a long-awaited white paper, then most other sections of the media, and a large number of public figures, gloomily reflected on the pervasive influence Peking's pressure had exerted on the colonial administration, **David Dodwell reports from Hong Kong.**

Many noted the greater-than-usual significance of the document, which is likely to be Britain's last contribution to political development in Hong Kong before China resumes sovereignty in 1997.

Both the Da Gong Bao and the Wen Wei Bao, the two Hong Kong newspapers most closely identified with Peking, praised the white paper, supporting the Hong Kong Government for avoiding sudden change, and suggesting that the evolutionary approach adopted would aid a smooth transition through 1997.

The white paper veered away from introducing direct elections to the territory's Legislative Council this year, and instead laid plans for 10 out of the 56 seats on the council to be filled by direct election in 1991.

Campaigners for democracy, such as Legislative Councillors Mr Martin Lee, Mr Szeto Wah, Mr Desmond Lee and Mr Conrad Lam, attacked the paper, saying that the refusal to introduce direct elections this year had been "a betrayal of the people of Hong Kong".

Mr Martin Lee, referring to the title of the white paper, The Way Forward, commented: "Anybody who can pretend this document represents a way forward must be sleep-walking."

Mr Lee nevertheless maintains a heretic position in the conservative Legislative Council, where most members were willing to accept the government argument that division of opinion over the pace of political reform made it advisable on balance to delay major reforms until 1991.

Taiwan undergoes first labour disputes for 40 years

TAIWAN EXPERIENCED its first serious labour disputes in four decades this week as workers at several big companies staged slowdowns to press demands for larger lunar New Year bonuses, Bob King writes from Taipei.

Such bonuses, which can amount to one to three months wages, are considered traditional in Taiwan. The actual amount paid workers, however, generally depends on how companies' business has gone in the preceding year.

Taiwanese companies have over the past year or so been hit hard by a sharp appreciation of the Taiwan dollar. Thus, profits have fallen, and many say they are unable to pay the sort of year-end bonuses workers expected.

As a result, thousands of workers at such companies as Tatung Company, the electronics giant, textile maker Far Eastern, and automakers Ford Liu Ho and Yue Loong, this week staged slowdowns. This worried labour leaders, who feared that the process could escalate into walkouts or strikes, which are still technically illegal under Taiwan law.

The Government is preparing legislation covering workers' rights in the wake of martial law, which was lifted last July after almost 40 years. One proposed revision is now before parlia ment, while another will soon be sent to MPs by the Cabinet.

The deputy chief of Taiwan's labour commission said Thursday that, to his knowledge, most disputes had already been settled.

PRETORIA REACTS TO BOPHUTHATSWANA COUP ATTEMPT

Homeland ties to be tightened

BY ANTHONY ROBINSON IN CAPE TOWN

PRETORIA will tighten its links with the homelands after a spate of military coups and allegations of corruption, Mr Pik Botha, the Foreign Minister, said yesterday. He was addressing a press conference after returning from Bophuthatswana where South African security forces restored President Lucas Mangope to power after Wednesday's thwarted coup.

The platinum-rich "independent" homeland was reported to be calm yesterday after South African police and army units released President Mangope and other officials on Wednesday night from the sports stadium where they had been held by troops loyal to Mr Rocky Malebane Metsing, the coup leader. Five people were killed in the coup and 150 detained by South Africa security forces but Mr Metsing escaped arrest and fled.

After revealing details of the coup, including death threats against President Mangope and the alleged African National Congress links of Mr Metsing, Mr Botha re-stated Pretoria's doctrine of de facto limited sovereignty for neighbouring southern African states.

Asked whether South Africa would tolerate an ANC presence in the neighbouring countries Mr Botha replied: "The day any government, including those of the four independent homelands, feels it is in its interests to ally itself with a terrorist organisation we will make our views known in a number of important ways." Asked whether South Africa would intervene militarily in other countries he added: "All things being equal we would have responded in the same way if the coup had happened, for example, in Botswana or any other neighbouring state."

He made clear that in the Bophuthatswana case there was no real threat to South African security because it had been overturned within 19 hours. "But a threat could have developed if the situation had been left unchecked".

Ex-Reagan aide guilty of illegal lobbying

PRESIDENT Ronald Reagan's former political director, Mr Lyn Nofziger, was found guilty yesterday of illegal lobbying in violation of conflict-of-interest laws, Reuter reports from Washington.

After deliberating for two days, a 12-member jury convicted Mr Nofziger on three counts but acquitted him on one count of illegally seeking to influence Reagan Administration officials after he left the White House in 1982.

Mr Nofziger's conviction represents another embarrassment for the White House, already hit by the recent perjury conviction of former Deputy White House Chief of Staff Mr Michael Deaver.

Mr Nofziger, a friend and confidant of Reagan for more than 20 years, stood attentively but showed no emotion as the jury foreman read the verdict in the US District Court.

Mr Nofziger, 63, faces a maximum penalty of six years in prison. The judge has yet to set a date for sentencing.

Mr Nofziger became the first person convicted for influence-peddling under the 1978 Ethics in Government law.

He was charged with illegally lobbying former colleagues on behalf of the scandal-plagued defence contractor Wedtech Corp, another defence firm, and a labour union within a year of leaving the White House.

The jury found him guilty on one count involving Wedtech but acquitted him on another charge involving the now defunct defence contractor, which is the target of a number of criminal investigations.

Contra talks move

CONTRA rebel leaders, still reeling from a cutoff of US aid, have agreed to resume ceasefire talks with the Nicaraguan government on February 18, a rebel spokeswoman said, Reuter reports from Miami.

The announcement followed a decision by the leadership to postpone the talks to give them more time to plot strategy.

Stewart Fleming reports on the Vice-President's failing hopes of a decisive win in New Hampshire

Bush becalmed as Iowa breezes fill Dole's sails

VICE-President George Bush's hopes of coasting to a comfortable victory in the New Hampshire primary next Tuesday, the second major test in this year's Presidential election campaign, appear to have been dashed.

A new ABC News/Washington Post poll published yesterday shows that he is now in a virtual dead heat with Senator Robert Dole, the winner in Iowa and a man with the political winds at his back. The 20 point lead Mr Bush held in polls of New Hampshire voters only a few weeks ago has disappeared.

Mr Bush, who has cancelled a trip to the South to concentrate on New Hampshire, is scrambling to change the message he is sending to voters. He suffered a humiliating third place finish in Monday night's Iowa caucuses for the Republican Presidential nomination, behind Mr Dole and Mr Pat Robertson, the former television evangelist.

The depth of Mr Bush's problems is underscored by the fact that aides now admit that he was already slipping before his third place finish in Iowa. Privately some Bush loyalists are saying that the Vice President and his staff have been so shaken by the third place finish in Iowa, something they never conceived of, that they doubt whether Mr Bush can respond quickly enough to stabilise his flagging fortunes.

Bush lunches at the GTE plant in Hillsboro, New Hampshire

They add that Mr Bush is planning to attack Senator Dole with a wave of negative advertising. The Dole camp is bracing for the onslaught.

Bush aides also worry that mainstream Republicans, long concerned about Mr Bush's electability and his fuzzy image amongst voters, will switch their support to Senator Dole in order to rescue their party from the threat that they perceive from the conservative ideological zealots who support Mr Robertson.

But Mr Bush's first actions in response to his Iowa loss may only have enhanced the impression that he lacks a clear idea of his own about where he would lead the country.

He is, for example, imitating a campaign theme Mr Dole used effectively in Iowa by telling the voters in New Hampshire that he is one of them, a candidate brought up in New England who understands the region. He has also virtually endorsed Mr Dole's approach to tackling the budget deficit through what he calls a "flexible freeze."

On Wednesday he went to Washington to meet and be photographed with President Reagan, who is more popular in New Hampshire than in Iowa. The agenda for his talks with the President was not disclosed.

Both men must be eyeing with concern the testimony which Mr Jose Blandón, a former top aide to Panama's military leader General Manuel Antonio Noriega, has been giving to a Senate Committee on Capitol Hill.

The New York Times reported yesterday that Mr Blandon had been persuaded by Administration officials not to discuss before the committee his knowledge of the Reagan Administration's policies in Central America and efforts to involve Panama in it. The report, quoting a staff member for the committee, said that apparent inconsistencies in Mr Blandon's testimony may be the result of this pressure.

The ABC News poll and a poll in the Boston Globe yesterday both have Mr Bush in a virtual tie. The Globe shows Mr Bush leading by 29 per cent to 27 per cent, ABC News has Mr Bush ahead by 33 per cent to 29 per cent.

Both polls also show Rep Jack Kemp's support slipping significantly to around the 12 per cent level, a move which will raise concerns in his camp about his ability to survive New Hampshire.

Mr Robertson is running fourth with the support of about one tenth of prospective primary voters, but he too is benefiting from his second place in Iowa and his support is rising.

In a primary state such as New Hampshire where the process is simply a case of voters casting their ballots, political analysts are more confident about what the polls are telling them about voter perceptions.

On the Democratic side Governor Michael Dukakis of neighbouring Massachusetts is still seen as the front runner although his lead is also narrowing as the Iowa winner, Rep Richard Gephardt also benefits from the wave of publicity his victory there has produced.

The Globe poll has Governor Dukakis leading Rep Gephardt by 35 per cent to 18 per cent. Mr Gephardt was only at 8 per cent a week ago. Both he and Senator Paul Simon are widely seen to be in an elimination round, since both lack the financial resources to continue without a strong showing in New Hampshire.

SEC steps into row on takeover legislation

By Anatole Kaletsky in New York

THE US Securities and Exchange Commission yesterday took the first step in what could turn into a major legal tussle between the Federal and state governments over the controversial issue of state anti-takeover legislation.

The contest could have significant implications for the industrial structure of corporate America, as well as affecting the outcome of several current takeover bids.

The SEC said it would urge a federal court in New York to rule as soon as possible on a constitutional challenge mounted last week by Campeau Corporation to the state anti-takeover legislation which was adopted earlier this month by Delaware, the legal home of more than half the major companies in the US.

Campeau is trying to buy Federated Stores, a Delaware corporation, for $5.4bn. The law effectively requires a hostile bidder for a company to buy at least 85 per cent of its shares in one single tender offer or transaction in order to gain control.

The law's existence has already led to significant changes in takeover strategy, by forcing bidders to try to unseat management through proxy fights, in order to turn their hostile bids into agreed transactions.

While the SEC said it had not yet taken a decision on the merits of Campeau's case against the Delaware law, it told the court that the issue was "ripe for adjudication". Mr Eric Summergrad, the SEC's assistant general counsel, said that this statement was designed to counteract an argument that Campeau's suit should be dismissed or delayed because it had not yet arranged full financing for its Federated offer.

Mr Summergrad, added that the SEC would now have to decide "fairly quickly" about whether to file an *amicus curiae* brief in support of the argument against Delaware's law. He noted that three of the five SEC commissioners had criticised the law.

Campeau is arguing that Delaware's law infringes the US constitution by by restruicting inter-state commerce and pre-empting the Federal William Act, which puts the regulation of tender offers in the hands of the SEC.

Warning on debt forgiveness

BY PATRICK BLUM

LLOYDS BANK chairman Sir Jeremy Morse argued forcibly yesterday that debt forgiveness would not provide a solution to the debt crisis, which could only be resolved through structural adjustments in the debtor countries.

Sir Jeremy was speaking in London at a conference sponsored by the Inter-American Development Bank and the International Herald Tribune entitled "Latin America: Towards Renewed Growth."

Mr Miguel Urrutia, manager of the Economic and Social Department of the Inter-American Development Bank, had earlier suggested that some form of debt forgiveness was inevitable.

"I am a bank manager refusing to accept the inevitable," Sir Jeremy said.

Reviewing the history of the debt crisis, Mr Urrutia traced historical precedents for debt forgiveness to the 1930s and suggested that it would be better for banks to agree to it now than wait for repayments to stop.

"Creditors are unlikely to agree to debt forgiveness until (debtors) have stopped paying their debt for several years. At present bank managers are not yet ready to accept the inevitable," he said.

Sir Jeremy said that the Baker Plan still represented the "conventional wisdom" with its emphasis on growth and structural change to encourage domestic savings and investment thereby helping to create a "favourable environment" for foreign investments.

The key was structural change, although this was a slow process, he said. "There is no solution without structural change," but inflation remained a serious problem.

"There is no solution in sight to the problem of Latin American inflation," and policymakers in today's post-inflationary era in the industrialised countries were likely to be less accommodating about inflation than they were in the 1930s, he warned.

Some debt relief would be achieved indirectly through debt conversions, but "not very likely through default or forgiveness," he said. "Too great an emphasis in debt relief is not instructive. (It) militates against a return to creditworthiness." Immediate cash flow. benefits of debt forgiveness would be largely limited to interest servicing and it could encourage capital flight.

Prof Richard Portes from the London Centre for Economic Policy Research, favoured debt forgiveness, which was already being considered through the various menu of options. "Selective debt relief is long overdue," and failure to provide it would "simply perpetuate the deadlock."

He dismissed arguments that debt relief would make access to funds more difficult for debtor countries, encourage across-the-board demands and reduce incentives for structural reforms. There should be a case-by-case approach.

Past experience had shown that debt relief did not block access to funds, while it was more difficult for the indebted nations to make structural adjustments under their existing burden of debt.

Today the conference will hear speeches from Mr Paul Volcker, former chairman of the US Federal Reserve Board, Mr Fernando Milliet, governor of Brazil's central bank, bankers including Mr William Rhodes of Citibank, chairman of bank advisory committees for five Latin American countries, and several Latin American officials.

US retail sales in January rise surprise 0.5%

By Nancy Dunne in Washington

US RETAIL sales rose an unexpected seasonally adjusted 0.5 per cent in January, the US Commerce Department said yesterday.

This follows an increase of 1.2 per cent in December and brought total sales to $128.9bn, their highest since August 1987. The moderately favourable report followed a steep decline in consumer spending during the fourth quarter.

Car sales provided much of the momentum. They rose 1.6 per cent to an adjusted $29.53bn after rising 1.9 per cent in December.

Excluding cars, retail sales rose 0.2 per cent. During the last month retailers had reported lacklustre sales, but business usually falls after Christmas. General merchandise stores increased their sales 2.5 per cent from December and were up 10.6 per cent above sales a year ago.

Sales at clothing stores were up 6.5 per cent from a year ago; drug store sales were up 6.8 per cent, and gasoline service stations up 11 per cent.

Brazilian police raids net Rio cocaine gang

BY IVO DAWNAY IN RIO DE JANEIRO

AN ELITE squad of Brazil's federal police were yesterday celebrating the most successful drugs gang bust in the country's history after the arrest of 30 alleged cocaine traffickers believed to be responsible for 60 per cent of the Rio de Janeiro market.

After four months of secret investigations, some 265 heavily-armed officers swooped in the early hours of Wednesday on 37 locations where the drug was being sold.

But the key raid came at a house in the northern suburbs of the city alleged to be the headquarters of Antonio Jose Nicolau - alias Little Tony the Turk - who police say was the linchpin in a connection stretching from the Andes to the US.

Nicolau, and his righthand man, ex-detective Osmar Ribeiro, both died in an exchange of fire with the police. The gang, among them six police officers now under arrest, are alleged to have been wholesaling the drug to at least four shanty towns and supplying many more "retail" sellers.

The operation, which closely followed a 220 kilo bust of cocaine paste in Sao Paulo this week, netted just 6 kilos of cocaine. But the federal agents also found some $168,000 and more than 40 kilos of documents including computer tape which may prove invaluable in leading to other connections.

"There is so much documentation, we haven't had time to breathe," a federal police official said yesterday. "There could be further arrests soon."

With pressure mounting on other entry points to the cocaine markets of the US and Europe, Colombian and Bolivian producers have long been suspected of building up their links with Brazil.

Last year, Brazilian police and customs officials trapped 1,012 kilos of pure cocaine and 328kg of paste and closed down nine processing laboratories. Federal Police estimate that this, at the best, represents 30 per cent of the total quantities passing through the country.

This week President Jose Sarney, on an official visit to Bogota, promised President Virgilio Barco of Colombia close collaboration in his battle against the drugs barons.

Argentina cuts import duties to aid industry

BY TIM COONE IN BUENOS AIRES

SIGNIFICANT reductions in Argentine import duties on a wide range of steel and petrochemical products were announced by the Trade Ministry in a move aimed at reducing costs in local industry.

Duties are being reduced to a maximum of 25 per cent of the products' imported value, down from a previous level of protection which averaged 53 per cent of imported value.

In addition, non-tariff trade barriers governing the same products are being lifted. This will mean they can automatically be imported where previously they were subject to clumsy and bureaucratic procedures before receivinggovernment approval.

Under the procedure a request for an import licence had to be submitted to the releveant manufacturers' association to establish whether the product could be manufactured in Argentina.

The historically high levels of protectionism practised by successive administrations over the past four decades has resulted in under-investment, obsolescence and inefficiency in many industrial sectors. This in turn has raised the cost of products to domestic consumers and led to uncompetitiveness in export markets.

One of the government's medium-term economic objectives is to expand industrial exports as a basis for exportled growth and economic recovery. By initially focusing trade barrier reductions on the steel and petrochemical sectors, the government hopes to reduce costs in downstream manufacturing industry, in the hope that this will be passed on in lower product prices.

Mr Eduardo de la Fuente, president of the Argentine Industrial Union (UIA), the principal organisation representing private industry, said: "We are not against Argentina being put on a competitive footing with the rest of the world."

But he wanted any reduction in protectionism to be "carried out within a broader policy of development, which takes into account the high financial costs and inefficiency of public services which our manufacturers at present have to face."

Such a policy did not yet exist and anti-dumping controls were inadequate, he added.

UK and Nigeria struggle to agree new air accord

BY MICHAEL HOLMAN IN LAGOS

EFFORTS by British and Nigerian government officials to renegotiate the air services agreement between the two countries appeared deadlocked last night. The previous agreement expired at midnight yesterday.

In theory, flights by Nigeria Airways and British Caledonian between London and Lagos could be suspended with effect from today if the two sides, now in their fourth day of talks, fail to reach agreement.

A more likely outcome is that both sides will agree to roll over the existing air services contract on a temporary basis, although this is not taken for granted by either party.

Last February, the Nigerian Government gave the required one-year notice that it wished to renegotiate the agreement on the grounds that it favoured British Caledonian which has passenger rights to the northern Nigerian city of Kano as well as Lagos, while Nigeria Airways serves only one British destination, London.

Nigeria has been offered passenger rights to any other UK destination of its choosing, but Nigeria Airways does not believe that a second destination would be commercially viable.

Both airlines offer daily flights between Britain and Nigeria, and the route has been highly profitable for British Caledonian.

The British delegation, led by a senior Ministry of Transport official, includes representatives from British Airways, which recently took over British Caledonian.

End seen to North and South trade split

By Peter Montagnon

THE active involvement of developing countries in the Uruguay Round of multilateral trade negotiations signals an end to the traditional "North-South" confrontation in the international trade arena, Mr Arthur Dunkel, Director-General of the General Agreement on Tariffs and Trade said in London yesterday.

"There seems to be a growing recognition in developing countries that trade liberalisation has its own rewards in terms of generating growth and employment in their own economies," he told a debt conference organised by the Inter-American Development Bank and the International Herald Tribune.

Developing countries had begun to doubt the wisdom of seeking special treatment for their trade when the whole trading system from which such special treatment derived was being systematically eroded.

Noting that the onset of the debt crisis had been accompanied by a fall in both the exports and imports of Latin America, Mr Dunkel said the developing world now increasingly recognised the need for a stable, predictable and open trading system as a prerequisite for growth.

Access for the exports of developing countries to the markets of industrial countries was a key goal. Industrial countries should recognise that granting it was "not altruism but self-interest" because the process would increase the international purchasing power of developing countries.

The Gatt Secretariat now reckoned that the average contribution of international trade to the Gross Domestic Product of member-countries was 20 per cent, but this concealed much higher figures for several countries, including some from the developing world.

National positions on trade policy issues no longer divided neatly along North-South lines, he added.

"As this coalition activity indicates, developing countries recognise not only that active participation in the Uruguay Round is essential if they want to influence the results, but also that when selecting coalition partners, what matters is not the income levels but rather similar economic interests on specific individual issues."

Maggie Ford reports on a resurgence of friction after the election

US tightens the screws on S Korea

THE US Government has launched a barrage of trade complaints against South Korea, citing broken promises, failure to enforce the law and misconceived special pleading by the Seoul government.

A host of issues, mainly centred on market opening measures, have sent South Korean officials scurrying to Washington and Geneva for talks, and an internal campaign against the pressure from abroad has grown in intensity.

The sudden resurgence in friction has resulted from the release of pent-up complaints, delayed because of Washington's wish to remain strictly neutral in last December's South Korean presidential election. Concern that anti-Americanism would become an election issue led to a decision to deal only with administrative matters.

Much of the current difficulty has arisen from complaints by US businessmen and farmers, which are impossible to ignore in an election year. These complaints range across a broad spectrum of disputes involving agricultural and manufactured imports, liberalisation of services markets, intellectual property rights and the appreciation of the South Korean currency against the dollar.

The US is demanding that South Korea allow imports of high quality beef and oranges, reduce taxes on imported cigarettes and cars, allow subsidiaries and joint ventures in the life insurance market and enforce the law passed in 1986 controlling pirating of intellectual property, especially textbooks.

Although some of the issues appear to be relatively peripheral - beef imports would be worth $50m at the most if the US supplied the entire market - Washington officials believe they are symbolic of the country's sincerity in following free trade principles.

South Korea's car exports to the US have shown a sharp increase this year, AP-DJ reports from Seoul.

Hyundai,the country's leading carmaker, said it exported 22,324 cars in January, a rise of 28 per cent on last year's figure.

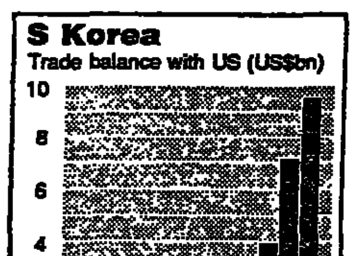
Daewoo, another leading car manufacturer, which began exporting to the US last June, shipped about 3,500 cars to America last month. The company said the January total represented a 23 per cent increase on the previous month.

"Exporters are fed up," an official said. "It's a matter of whether we can do business or not." He pointed out that South Korea is now the world's tenth largest trading nation with a 1987 surplus of $7.6bn, the fourth largest in the world.

Two weeks ago special trading privileges under the Generalised System of Preferences were removed from South Korea, along with the three other Asian "tigers", because the US said their economies had developed beyond the need for such help. South Korean exports worth around $200m will be affected.

The European Community has also removed South Korea from the list of countries benefitting from GSP favours, following the failure of negotiations over intellectual property rights.

The US was given protection under a bill passed by the National Assembly for patents and copyright, and the EC has been demanding equal treatment. Ironically, this is one of the issues now causing anger in Washington. Officials say that the South Korean Government is not enforcing the law. Some 2m illegally pirated university textbooks are waiting in warehouses, they say, demanding that the books be destroyed.



The US officials say that agreements over royalty payments have not been kept and that meetings with book publishers have been abortive. A number of legal actions on pharmaceutical patents are also said to be in the pipeline.

The South Korean government has launched an internal campaign against the US moves, claiming that American manufacturers, facing an anti-smoking campaign at home, are trying to poison people in developing countries by dumping cigarettes. Newspapers have claimed that US cigarettes contain more tar and nicotine than Korean-made cigarettes.

Farmers have demonstrated in front of the US embassy against beef exports. South Korean officials and advisors have pleaded that publishers face bankruptcy and students will be penalised if intellectual property rules are enforced strictly.

During the past year the Government has made attempts to switch imports from Japan to the US so as to prevent the trade surplus from growing, but final figures for the year showed a surplus of $9.5bn, up from $7.2 bn in 1986.

US pressure appears to have made inroads in some areas. Officials are confident that negotiations over the opening of the insurance market will be completed successfully soon, an area which offers excellent prospects for US companies. They also note the recent increased appreciation of the South Korean won which has not provoked any surge in critical press comment.

The increased problems abroad have spurred the Seoul government, shortly to be taken over by the President-elect, Mr Roh Tae Woo, to consider appointing a special trade represenative, US style, to conduct all negotiations.

The US attack appears likely to be successful in many respects, if only because it is so concentrated. South Korea has far fewer weapons of resistance at its disposal than Japan, which Seoul anyway insists it does not wish to emulate.

As the country climbs further up the trading ladder, with exports forecast to rise from $120bn to $140bn this year, the glare of foreign scrutiny is unlikely to diminish. But nor, as the country grows richer, are the opportunities, particularly in the new climate hoped for as South Korea travels down a more democratic road.

Ansaldo ahead for India power project

BY JOHN ELLIOTT IN NEW DELHI

ANSALDO of Italy is emerging as a front runner to replace Northern Engineering Industries of the UK in a British-based bid for a £350m-£400m contract to build the second stage of the Rihand power station in central India.

General Electric Company of the UK and the British Department of Trade and Industry are having talks with Ansaldo, and with Babcock and Wilcox of Canada, about a bid for supplying and erecting boilers on the 1,000MW project which was originally conceived as an all-British venture.

The boilers make up about 20-30 per cent of the contract value. Ansaldo, which is working with Babcock of Canada on other Indian power projects, is believed to be the likely choice, provided the Italian Government agrees to contribute towards the total financial aid needed - some £130m.

India's National Thermal Power Corporation has also invited a rival bid from a consortium of Siemens of West Germany, Combustion Engineering of the US, and Bharat Heavy Electricals, the country's nationalised power plant builder.

NEI is not a runner for the British tender's boilers because its proposed price is believed to have been too high and because of disagreements over contract conditions.

However, NEI denied any suggestion that it was not interested in Rihand Two.

NEI is the main contractor on the first £230m 1,00MW stage of the coal fired station. This was conceived jointly in 1982 by Mrs Margaret Thatcher, British Prime Minister, and the late Mrs Indira Gandhi, then India's prime minister, as a show-case British project which would bring jobs to NEI's home area of North-East England and lead to follow-on contracts.

But NEI has had problems from the start, and the project is about 15 months behind original target schedules and eight months behind the terms of the contract.

Because of the problems, the Department of Trade and Industry asked GEC a year ago to take over as the leader for the second stage bid.

GEC, however, is already three months late delivering its tender, mainly because of difficulties achieving a competitive price.

Finland's exports to Moscow fall 19%

By Olli Virtanen in Helsinki

FINLAND'S exports to the Soviet Union declined by 19 per cent last year as a result of a severe imbalance in bilateral trade which is governed by a special agreement.

Exports to the European Community and the European Free Trade Association, of which Finland is a member, increased by 17 per cent and 9 per cent respectively. Finland's total trade surplus, according to statistics released yesterday, shrank from FM5bn to FM890m (£121m), while the balance of payments deficit more than doubled to FM9.2bn. Its exports increased 6 per cent last yearto FM87.6bn while imports rose by 12 per cent to FM86.7bn.

The figures underline the fact that Soviet trade is gradually losing importance to Finland's exporting companies. A large part of the Soviet Union's exports to Finland are oil-based products and the fall in the oil price has led to problems with the bilateral trade pact under which exports should balance imports in the long term.

Finland's trade surplus with the Soviet Union amounts to FM3bn - including FM2bn placed in a special interest-bearing account at the Bank of Finland. Moscow's share of Finland's total external trade is now only 15 per cent, down from 18 per cent in 1986 and a peak of 26 per cent in 1983. Western Europe now accounts for 64 per cent of Finland'strade, up 4 percentage points from 1986.

Forest products industries still dominate Finland'sexports. Pulp and paper shipments rose by 10 per cent to FM35bn, accounting for 40 per cent of the total trade.

The value of metal and engineering exports increased by 5per cent to FM34bn. According to Bank of Finland figures, the country'sbalance of payments sank deeper in the red, from FM4.5bnto FM9.2bn. Finland's external debt now stands at FM55bn, or 14.2 per cent of GDP.

Finnish investments abroad last year amounted FM6.2bn totalling FM20.1bn at the end of 1987. Foreign investments to Finland declined from FM11.9bn to FM10.6bn following profit- taking by a number of portfolio investors.

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Radical health reforms urged by ex-minister

BY PETER RIDDELL, POLITICAL EDITOR

Leon Brittan

RADICAL reform of Britain's health-care system to separate its financing from general taxation is urged today by Mr Leon Brittan, the former cabinet minister, in a wide-ranging pamphlet published by the Conservative Political Centre, a department of the party's central office.

This is the latest in a series of contributions to the Tories' policy debate from Mr Brittan, who has taken an increasingly independent stance since resigning from the cabinet just over two years ago. He left during the bitter row surrounding the sale of the Westland helicopter group to Sikorsky of the US.

He has recently made speeches urging a more active regional policy, far-reaching tax reform, and a negotiated end to the national dock labour scheme.

Mr Brittan has in part been competing for public attention with two other ex-ministers, his former Westland antagonist Mr Michael Heseltine, and the latter's new-found ally Mr Norman Tebbit, former Conservative party chairman. There are, however, no signs that Mrs Margaret Thatcher, the Prime Minister, is about to bring Mr Brittan back into the cabinet.

Mr Brittan argues in his pamphlet that "the present organisation of health care needs radical reform. The best way of bringing this about is to maintain the NHS for all who want it, but also to allow the free health market to flourish. This will enable individuals to deploy their health insurance how and to whom they decide."

In detail, Mr Brittan argues that the NHS should be financed by a new National Health Insurance scheme. Social Security benefits at present paid for by employees' national insurance contributions would instead be funded out of general taxation. National insurance contributions in their present form would be abolished for employees.

Instead, he says, there should be a new system of national health insurance contributions which would be set at a level to meet the cost of the NHS, less charges.

Mr Brittan acknowledged yesterday that there would be major distributional consequences since the effect would be to increase insurance contributions by £9.4bn and reduce general taxation requirements by a similar amount. He said this was a separate question and could be tackled by making adjustments on either the tax or contribution side, or both.

Those who belong to an approved private health insurance scheme would, he suggests, be able to opt out of paying their national health insurance contributions, in whole or in part. Thus, if their insurance cover was limited, they would be allowed to make an appropriate reduction in their national health insurance contributions.

He suggests that people could insure themselves privately for all services except emergency treatment and the use of a general practitioner, in which case payments could be made to both the NHS and private insurance companies.

Mr Brittan maintains that the introduction of new resources by the growth of private provision would relieve the present pressure on the NHS, while there would be a new direct relationship between the cost of the NHS and contributions (though not at the point of delivery).

He also urges much greater buying-in of services in both directions.

Bank of England Quarterly Bulletin

Caution urged on Lawson for budget

By Our Economics Staff

THE Bank of England yesterday urged Mr Nigel Lawson, the Chancellor of the Exchequer, to adopt a relatively cautious approach to tax cuts in his March 15 Budget, and signalled its determination to hold sterling's value at around present levels.

In its latest Quarterly Bulletin, the Bank says that the burden of containing inflationary pressures in the economy should be shared between the exchange rate, interest rates and budgetary policy.

It voices its concern about the impact of the current level of pay awards on Britain's competitive position, warning that industry cannot expect the authorities to accommodate such deals by allowing sterling to depreciate.

The Bulletin avoids any direct reference to the prospects for interest rates, but it implies that the Bank is ready to raise them further to head off any renewed upward pressure on prices.

Mr Lawson is widely expected to cut both the basic and the top rates of income tax on March 15 and a surge in government revenues has given him ample room for manoeuvre.

The general view is that he is likely to reduce the basic rate to 25p in the pound and cut the top rate to 50p from its present 60p. It is understood in Whitehall, however, that he is also considering the option of reducing the highest rate to 45p.

The Bank is careful not to spell out its detailed recommendations for the budget, which have already been sent to Mr Lawson. It makes it clear, however, that it is hoping for a "prudent" stance.

It believes that some cuts in tax rates can be justified to offest the impact of so-called "fiscal drag". Because earnings have been rising much more rapidly than inflation, the effective tax burden has risen over the last year.

The Bank also appears concerned, however, that the Chancellor should to set his target for next year's public sector borrowing requirement no higher than the expected outturn in the current financial year. That would imply a PSBR target of zero or perhaps of a small surplus.

City of London economists believe that the prospective buoyancy of government revenues means that such a stance would still allow the Chancellor to announce net tax cuts of perhaps £3bn. Cuts in income tax could be much greater if the Treasury raises additional revenue elsewhere.

The Bank is concerned that prospective slowdown in domestic demand will be insufficient to prevent a further deterioration in the trade deficit. The dollar's fall will damage export prospects in the US, while cutting Britain's earnings from its overseas assets.

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World markets survive stormy test

BY SIMON HOLBERTON

THE INTERNATIONAL financial system survived the shock of the October collapse in share prices "at least passably well," the Bank of England said in its Quarterly Bulletin.

It said there were no big insolvencies, although some firms had sought additional capital from existing parents or through mergers and that most markets remained open for all but relatively short periods.

The Bank said, however, that this was only a tentative assessment and that certain aspects of present market arrangements and market behaviour in London needed further examination.

The Bank's assessment of the October crash seeks to describe the course which it took; it does not focus on the causes or the consequences of the market's collapse during October.

In this respect it differs from recent official reports produced in the US. These have sought both to describe the events of October and prescribe changes to the regulatory environment in the US which could help avoid a repetition of the worst effects of a similar fall in equity prices.

The Bank dates the beginning of the global stock market collapse from October 6 when the Dow Jones industrial average fell 3.5 per cent in New York – "apparently triggered by a modest tightening in German monetary policy and rumours of discord between US and German authorities over the Louvre agreement."

London's experience during the crash was less traumatic than that experienced in the United States.

The main focus of the analysis concerns how the markets coped with the crash from the points of view of volatility, the roles of foreign and domestic investors and how the structures of the markets, especially London, weathered the crash.

●Patterns of trading:

In London and New York the volume of trading during the week October 19 rose substantially, whereas in Tokyo it fell. In London, on October 19 and 20, more than twice the average daily number of shares changed hands, while during the week daily turnover was 40 per cent higher than the average since Big Bang, the financial deregulation of the City of London. Trading subsequently subsided in November to about two-thirds of the average since Big Bang.

A change occurred in the distribution of trading between customers and market-makers. After the crash, customers accounted for 60 per cent of all trade compared with the traditional 50 per cent.

Following the initial downturn, 80 per cent of customer transactions were buy orders. Large investment institutions were net sellers. On October 19 market-makers were net buyers of £250m of shares which added to their accumulated long positions. Market-makers tried unsuccessfully to liquidate these positions.

"While the detailed pattern of trading is uncertain, it seems possible that a halt to purchases by private clients, a halt to significant net sales by institutional investors and a continuing weakness in intra-market dealing left market-makers with limited trading opportunities."

●The Foreign Investor:

The behaviour of foreign investors during the crash and its aftermath is still difficult to determine, the Bank said.

Evidence from Japan suggests that foreign investors disposed of a disproportionate number of shares relative to domestic investors. Foreign investors sold \$13bn of Japanese securities in October compared with \$2bn in September.

Up to September foreign investors had been large purchasers of shares. UK pension funds were buyers of overseas – mainly US – shares and an estimated 35 per cent of the increase in the cash value of their net assets was in foreign securities.

●The UK market during the crash:

London's experience during the crash was less traumatic than that experienced in the US, but there were departures from normal practice.

A "fast market" – one where the prices quoted on the Stock Exchange's dealing system were behind the prices actually being dealt – developed in the week beginning October 19. This, however, only occurred for a total of six hours during the whole week.

The most serious concern related to the settlement procedures for transactions. There was growing anxiety about the accumulation of counter-party risk and the possibility of default by private investors on account day. Although unfounded, this anxiety is thought to have contributed to depressed market conditions.

Britain set for 'satisfactory' 1988 growth

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

BRITAIN'S economy should continue to expand at a "satisfactory" pace in 1988, but its overseas trade position looks likely to weaken further, the Bank of England says in its latest Quarterly Bulletin.

The latest economic and monetary indicators "depict a still-buoyant economy amply provided with credit, giving little sign so far that the pressures from domestic demand will abate soon," it says.

There are signs that the economy will begin to slow. In particular, last year's fall in the ratio of personal savings to income to the lowest level for a generation seems unlikely to be sustained, the bulletin says. A levelling off in the ratio or some reversal of the decline would slow the recent surge in consumer spending.

The Bank, however, adds that there are still questions over the sustainability of the prospective pattern of growth in the economy – in particular the balance between domestic spending and exports.

Slower growth this year is likely to reflect "less a slowing in domestic demand than a further deterioration in the balance of trade . . . There must be some question about the sustainability of domestic demand in this country at a rate above that currently being achieved by most other major countries".

The Bank says that the UK is capable of financing a moderate deficit on the current account of the balance of payments for several years, but it is clearly concerned that the pace of deterioration should not accelerate.

In that context, recent wage developments are far from reassuring, with no signs of a downward trend in settlements and some signs of an increase in areas of the economy not exposed to international competition.

On present cost trends, there appears little chance of a further sustained improvement in industry's competitiveness, despite the recent strength of productivity growth. In parallel, the dollar's sharp fall last year is likely to limit export opportunities in North America and cut Britain's earnings from its overseas assets.

The Bank says that the need to contain inflationary pressures in the economy means that industry cannot expect a devaluation of sterling pound to improve its competitive position. Monetary growth remains strong and credit expansion has remained at the high levels seen last summer.

In a hint that it would be prepared to raise interest rates again if sterling came under pressure, the Bank says that: "Maintaining the anti-inflationary thrust of policy will continue to require a non-accommodating (monetary) policy in the period ahead".

In Brief

ICI plans to invest £100m in Teesside

Imperial Chemical Industries, leading international chemical company, plans to spend £100m this year on improving production at its Teesside chemical complex near Middlesbrough, one of Britain's biggest manufacturing sites,writes **Peter Marsh.**

The proposal, assuming it is ratified by ICI's main board, will amount to the company's biggest investment on Teesside since the recession of the early 1980s.

The company also announced that over the past year it had cut its employment and maintenance costs on Teesside by about 5 per cent – a saving of some £15m.

The Teesside complex has an annual output of about £2.5bn.

BA set to cut staff by 2,000

British Airways, UK airlines, expects to seek voluntary severances from up to 2,000 employees on March 20, following its takeover of rival UK airlines British Caledonian Airways, Sir Colin Marshall, chief executive of BA, said.

It is estimated that some 45,000-46,000 staff will remain.

£36m eavesdrop

Plessey Defence Systems, UK defence company, has won a £36.5m Ministry of Defence contract for the army's first computer-controlled electronic warfare system which will be used by the British Army of the Rhine to eavesdrop on Warsaw Pact countries.

Jaguar body deal

Jaguar, the luxury UK car manufacturer, is to establish a joint venture with GKN, British automotive components and engineering group, to supply all the car makers' major body-pressings. The decision to form Venture Pressings is a blow to Austin Rover, Britain's state-owned car maker, which previously supplied Jaguar body parts.

US Rolls sales up

Rolls-Royce and Bentley sales in the US were up 20 per cent last month compared with a year ago, in spite of the stock market crash in October, Mr Malcolm Hart, Roll-Royce Motors' sales and marketing manager.

Sound banking

The Royal Bank of Scotland is testing a voice-recognition banking system which will allow customers to conduct transactions over the telephone once their voice has been recognised by a central computer.

15m tourists in UK

Britain had its best year ever for tourism in 1987 with a record of almost 15m visitors by the end of November, although they spent three per cent less than the previous year – just £405m.

Steel flotation

A November date for the privatisation of the British Steel Corporation was a possibility, Sir Robert Scholey, BSC chairman said.

'No radiation link'

The case against nuclear radiation as the cause of the clusters of childhood leukaemia found near some industrial sites in Britain has not been proven, says a report by the National Radiological Protection Board, Government watchdog agency on radiation effects.

Renault plant faces industrial action

BY JOHN GRIFFITHS

FURTHER industrial action in the motor industry was signalled yesterday when unions gave two weeks' notice of the first strike in 11 years at Renault Truck Industries (RTI), the former Dodge Trucks company which employs 1,320 workers at Dunstable, north of London.

The decision, following a ballot on Wednesday, comes in the wake of RTI making its first operating profit since the French state-owned vehicle maker bought Dodge from the Peugeot Group in 1981.

If the strike goes ahead, it could affect Renault's truck-making operations in France and Spain because of a decision by RTI's parent, Renault Véhicules Industriels, to manufacture all truck driveshafts at Dunstable.

Mr Bill Holmes, director of industrial relations, said yesterday that it would take "some time" for a dispute to be felt beyond Dunstable.

However, RTI itself has successfully introduced a large measure of "just in time" working at the plant – even engines are delivered the afternoon before the day of installation – and similar procedures are practised at other Renault truck plants.

The planned industrial action, set to begin on on February 25, follows the rejection of a 12-month pay and conditions package including a 6 per cent pay rise and a cut in the working week from 40 hours to 38.

RTI's managing director, Mr Francis Cousin, would not comment on the likely reaction of RTI's parent to the action. However, two years ago RTI's future was in doubt after its accumulated net losses exceeded £30m in the first five years under Renault ownership.

Space chief laments lack of UK funding

BY PETER MARSH

BRITAIN'S refusal to join Western Europe's Columbus programme to build a manned space laboratory will leave an important technical gap in the project, according to Mr Fredrik Engstrom, the European official in charge of the scheme.

Mr Engstrom, director of the Columbus programme at the 13-nation European Space Agency in Paris, said yesterday he was "saddened" by this week's formal announcement that Britain would not contribute towards the \$4bn project.

The decision had been widely expected after the UK registered only lukewarm interest in Columbus at a ministerial meeting of ESA in November.

This week's announcement, in the form of a written reply to the House of Commons from Mr Kenneth Clarke, the UK trade and industry minister, also confirmed that Britain would not join another big ESA programme, to develop the Ariane-5 rocket.

Mr Engstrom said Britain's decision would cause problems for ESA. Until last summer, when the UK switched its policy over space projects, the agency had assumed it would play a significant role in Columbus, and would contribute up to 15 per cent of the cost.

Britain had been expected to take the lead in designing an unmanned platform to be associated with Columbus and which is to be used for taking high-resolution pictures of the earth.

Mr Engstrom said the platform concept "had been totally built around British ideas." Although the platform would probably still be developed, the other ESA nations would have to rethink its design.

As a result of the UK decision on Columbus, UK companies such as British Aerospace and Logica will not now receive the big design contracts they had been expecting.

The future of Columbus is thought by ESA officials to be assured despite the UK decision.

Court fines NUS £7,500 for strike

BY JIMMY BURNS AND RAYMOND HUGHES

THE NATIONAL Union of Seamen was yesterday fined £7,500 and ordered to pay "very substantial costs," believed to be at least £100,000, for disobeying a High Court order last week to call off its national ferry strike.

The punishment falls short of the sequestration of the union's £2.8m assets for its contempt of court which had been demanded by Sealink UK ferry company, but it could nevertheless financially cripple the union, which is already facing a major cash crisis.

In a related development yesterday, Peninsular & Oriental, UK ferry company, told the High Court it had no wish to continue contempt proceedings after more than 300 seamen on unofficial strike in Liverpool and Fleetwood in England, and Larne in Northern Ireland, had voted to return to work.

However, five P & O companies affected by last week's national strike said yesterday they would pursue damage claims against the union of up to £250,000 in a separate legal action because of lost business and inconvenience to customers.

Earlier, Mr Justice Michael Davies ruled that the fine was an appropriate punishment after taking into account that the NUS's "defiance" had lasted only two days and that the union's leadership had apologised for the initial disobedience.

The judge said Mr Sam McCluskie, the NUS general secretary, had made "imprudent" comments to the media, suggesting that industrial action would continue after an injunction ordering the strike to be called off was granted on February 1.

But he added that in spite of "sailing very close to the wind," Mr McCluskie had not tried to deceive the court.

After being advised by his solicitors that he should not delay complying with the injunction, Mr McCluskie had issued instructions to his members.

"The NUS is extremely fortunate to have Mr McCluskie as its general secretary because the way, on his day-to-day instructions and advice, this matter has been conducted has undoubtedly saved his union from an immediate order for sequestration," Mr Justice Davies said.

Mr McCluskie said he was "very happy" with the judgment.

Privately, however, NUS officials suggested that the union faces a stormy debate at its bi-annual conference in May over Mr McCluskie's tactics in calling an unlawful strike in the first place.

Philip Stephens looks at worrying aspects of current wage demands

Revisiting the dangerous push to inflation

THE MOODS of financial markets are as unpredictable as this winter's weather. A few months ago the fashion was to proclaim a productivity "miracle" which had transformed the outlook for Britain's competitiveness. The talk is now that the Ford dispute may signal a return to the 1970s when escalating pay awards translated into rampant inflation and wrecked industry's ability to compete on world markets.

The changes in the real world, of course, have been much smaller. Basic pay settlements and the rate of growth in average earnings have edged up; industrial disputes are more frequent and have a higher profile.

In economic terms, however, the shifts have been slight. Basic settlements in manufacturing industry appear to have crept up to between 5 and 6 per cent range from the 4 to 5 per cent seen at the beginning of 1987. The pace of annual growth in average earnings across the whole of the economy has risen to 8 per cent, or slightly above, from the 7.5 per cent typical of the past few years.

Pay increases in the services sector have been particularly buoyant, suggesting some catch-up with manufacturing industry. Workers in public services, who benefited from the Government's largesse ahead of last June's election, are still seeking to close the pay gap with their private sector counterparts.

However, none of the figures add up to a pay explosion. The gains have been incremental and clustered around the trend in earnings established since 1983.

So why the recent panic? After all, the Government claims that its second term was a dazzling economic success story.

In fact, there are good reasons for concern if not alarm. The current level of pay awards may not be unduly high relative to the past few years, but the economic background against which they are being sought has changed for the worse. Perhaps as important, the latest round of militancy suggests that the recent productivity surge has masked rather than solved one of Britain's key economic weaknesses.

In some respects manufacturing industry can argue that basic pay deals of 5 per cent plus last year were justified. Its output rose about 6 per cent, company profits were up by close to 20 per cent, and output per head jumped by more than 7 per cent. With companies working at high levels of capacity, much of the gap between settlements and earnings reflected overtime or productivity bonuses.

Crucially, the jump in output per head meant that unit labour costs in manufacturing increased only around 1 per cent. That contributed to an improvement in Britain's international competitiveness, although the gain was offset by the partial reversal of sterling's 1986 devaluation.

Professor Alan Budd of the London Business School says the problem now is that "workers are basing this year's pay claims on last year's performance."

Despite fears in the City of London that the economy is still close to overheating there is little confidence that output, productivity and profits can rise anything like as fast in 1988 as they did in 1987.

With manufacturing production likely to increase by between 3 to 4 per cent rather than 6 to 7 per cent, productivity growth cannot be sustained at last year's rate. In those circumstances buoyant earnings could be expected to translate into accelerating unit costs and eventually higher retail price inflation.

The City sees this as adding "cost-push" pressures to the inflationary dangers already posed by the strength of demand in the economy and by an explosion in consumer credit.

The transmission mechanism from earnings to inflation operates on two levels: directly, as companies try to pass on cost increases in higher prices and indirectly, through downward pressure on the exchange rate as industry becomes less competitive internationally and the trade deficit widens.

The Government insists that will not be allowed to happen. It will keep interest rates high enough to ensure that sterling remains strong and that companies cannot pass on rising wage costs to consumers.

Such a "non-accomodating" policy would mean that excessive pay awards fed not into higher inflation but into lower employment as industry was shed workers in order to remain competitive on international markets.

The operation of such a policy, however, is less straightforward than the theory.

At the moment the Government hopes that companies will react to the threat rather than the substance and voluntarily contain wage pressures. Last week's small rise in interest rates can be seen as a shot across industry's bows to reinforce the message.

What financial markets are less certain of is whether the Government would have the political will to maintain such a policy if industry ignores the official exhortations and earnings growth continues to accelerate.

Young Nigel makes good

By Raymond Snoddy

THE YOUNG features editor of the Financial Times in the late 1950s was a shade on the flamboyant side. He wore a yellow waistcoat and green bow tie and, according to David Kynaston, the official historian of the FT, had a self-confident manner that did not make him "everybody's favourite person."

But before he left after four years, the young Nigel Lawson had given evidence of his future monetary promise by initiating an annual Cost of Living Round the World feature, which proved conclusively that Caracas was then the most expensive capital city in the world.

Last night Mr Lawson, Chancellor of the Exchequer, now without his yellow waistcoat, deputised for Mrs Margaret Thatcher, the Prime Minister, who had been called away to Brussels, as the principal speaker at the centenary dinner of the Financial Times at London's Guildhall.

More than 650 people – a wide cross-section of the top 0.01 per cent of British society – sat down to dine off pink tablecloths decorated with pink orchids and Royal Doulton plates.

They drank wine from Chateau Latour, like the FT a Pearson company, and champagne from Royal Doulton crystal glasses, another Pearson company. At the £60,000 centenary bash there were: 26 peers of the realm, 47 knights – not including Mr Andrew Knight, chief executive of The Daily Telegraph – 10 ministers or former ministers, nine ambassadors, two newspaper proprietors, two women, apart from those associated with the Financial Times, and two religious leaders, one an Anglican and the other a Moslem.

Before the salmon trout, the celery and orange soup and the roast quail there were three trumpet fanfares by trumpeters of the Lifeguards Regiment of the Household Cavalry at the Storm Door of the Guildhall.

One was for the arrival of Mr Paul Volcker, former chairman of the board of governors of the Federal Reserve System of the US and one of the evening's main speakers, a second for the Lord Mayor of London, Sir Greville Spratt, and a third for the former features editor of the FT, Mr Lawson. The choir of St Paul's Cathedral and the trumpeters combined for a sung grace anthem based on Psalm 112.

The organising of the centenary dinner – the actual anniversary is Saturday, February 13 – has been under way for the past two years.

Those who were invited but unable to attend included Mr Rupert Murdoch, who now owns 20 per per cent of the FT, Chateau Latour and Royal Doulton China, his Wapping antagonist Ms Brenda Dean, general secretary of the print union Sogat, and all the living former British prime ministers except Lord Callaghan.

At the end of the evening all the guests received a copy of the centenary history of the FT (price £25), a Royal Doulton china figure of a partridge in an FT and a free copy of the first edition of today's paper.

The grand Guildhall occasion and the newspaper delivered to it were a universe away from the launching of a four-page broadsheet in February 1888 carrying the banner Without Fear and Without Favour.

In its first issue it was enthusiastic about the prospects for machine-made bottles and concerned about Europe's diplomatic chessboard in the light of Russia's Balkans policy.

Soon it was campaigning against "guinea-pigs" or "ornamental" directors, aristocrats who were elected to boards of new companies on account of their social rather than their financial attractiveness.

The first properly documented editor was Leopold Graham, who was appointed on July 16 1888 at £6 per week.

The colourful writer Frank Harris said of him: "He had no notion of writing and was poorly educated, but had a smattering of common French phrases and a real understanding of company promoting and speculative City business."

His modern-day successor as editor, Geoffrey Owen, can write, has a good education, and would probably fire any journalist with too great an understanding of promoting companies or speculative City business.

Like the very model of a modern multi-media editor, Mr Owen will be appearing on BBC Breakfast Time this morning.

An experience, an education, and tremendous fun

MR NIGEL LAWSON, Chancellor of the Exchequer, gave the following speech at the Guildhall.

It must be clear to all of you that I am not making this speech. Nor indeed am I here tonight with the Financial Times. For I am in Budget Purdah. And it is a well established and soundly based tradition that, during the month or two immediately prior to the Budget, the Chancellor of the Exchequer makes no speeches and avoids the company of pretty well everyone, but most particularly of the press.

But tonight, for the first time in almost five years as Chancellor, I have given myself a special dispensation to break the iron rules of Budget Purdah. I have done so for two reasons.

First, this is a great and special occasion, marking as it does the centenary of one of the great newspapers of the world. And second, because I myself had the great good fortune to be part of the FT during its golden age, in the 50s, under the outstanding editorship of Gordon Newton. It was an experience, and an education, that has stood me in good stead ever since. And of course, it was tremendous fun.

I have no time, in my brief remarks this evening, to chart the history of the first hundred years of the FT. In any case, it is wholly unnecessary to do so. For the paper has itself commissioned a great work of piety, by young Dr David Kynaston, to mark the centenary, which does just that.

I cannot say that I have yet read it from cover to cover. It is, as Gordon Newton was wont to say, a veritable magnus opum. And I don't have much time to read opums in this job. But I have dipped into it. I began, where I suppose we all do, with the index. Looking through the references to myself, I turned up a brief account of the choice of the successor to Gordon Newton as editor, and read the following:

"There was some possibility of Nigel Lawson returning to the fold, but when approached he expressed an unwillingness to serve an initial probationary period as Editor of the Investors Chronicle."

I have to say I still find it hard to decide which was the greater insult: the suggestion that I should edit the Investors Chronicle or the view that I needed a probationary period. But all's well that ends well. And I am particularly glad that the paper now has as its Editor my protege, Geoff Owen, who started 30 years ago as a feature writer when I was Features Editor.

With the exception of Sam Brittan, the undoubted star of today's FT and for many years past, most of us from the 50s vintage have long since gone our separate ways, and a new generation with new conventions has taken over – not in all respects a change for the better. Dr Kynaston's opum quotes this, from an FT leader in the 50s.

"The right relationship between Chancellor and Treasury officials is perhaps that of a vigorous swashbuckler whom the officials contrive to restrain."

Nowadays this timeless and lighthearted observation is served up annually as a sensational news story. But the FT remains, as I have already observed, one of the great newspapers of the world – and, indeed, a national institution. For all its faults, it would in my personal opinion be a sad day if it were ever to lose its independence of other newspaper groups.

It is good to see so many old friends and former colleagues here this evening. It would be invidious to mention some and not others. But I am particularly pleased you have invited Paul Volcker, the outstanding central banker of his generation, to speak this evening. He and I have been colleagues over the years in the G5 and G7 – and on one never-to-be-forgotten occasion, the G6.

And now, unlike me, he is free to speak unfettered by the constraints not only of Budget Purdah, but for almost the first time in a very long and immensely distinguished career, unfettered by the constraints of public office of any kind. In every sense, he is a man of exceptional stature – which makes all the more remarkable his achievement, during a period of particularly delicate international financial negotiations in the 'seventies, of getting into and out of Tokyo unnoticed by the press.

Nigel Lawson: Life was easier in 1888

So I gladly leave the meat in the sandwich to Paul. But I would just, very briefly, say this. The old debate between Keynesianism and monetarism is becoming increasingly dated. The battles that had to be fought have been fought and won. A new consensus has emerged over the conduct of domestic economic policy, with financial discipline at its heart, and which only a few dinosaurs would now dispute.

The problems for the future lie in the international sphere, and the impact of these forces on our national economies. How to come to terms with the implications of global financial markets of all kinds, fully equipped as they are with the latest developments in information technology. What is the right balance between supervisory regulation and market freedom? What is the practical scope, and what are the practical limits, of international co-operation in a world of global financial markets and independent sovereign states? These are the issues we need urgently to be addressing now.

How much easier it all was when the Financial Times was first launched, a hundred years ago – a time when it took 11 days to get to New York when the weather was good, and a fortnight if it was bad. And 40 days to get to Tokyo by the quick route via Italy, Egypt and Shanghai. And when government was so much smaller and Budget speeches so much longer.

In preparation for my own next effort on the Ides of March, I took a look at the Budget speech of March 1888. The Conservative Chancellor of the Exchequer then was Goschen – remembered now probably only as the man Lord Randolph Churchill forgot. But his Budget speech of 1888, of well over three hours in duration, well repays reading. He clearly believed in keeping a beady eye on the Bank of England. As he informed the House:

"There has also been a saving of £15,000 to which I should like to allude. It is a saving which I have secured by watching more closely the balances at the Bank of England."

He was commendably generous to his colleagues. In his own words:

"I am also thankful – and as Chancellor of the Exchequer I say this – not as a Member of the Cabinet – I am especially grateful to the Foreign Minister that we have been able to keep out of those petty wars which break in so unexpectedly, sometimes upon the assets of the Chancellor of the Exchequer, and which upset his best calculations and destroy his most sanguine hopes."

And he was, as ever, plagued by the problem of excessive local government spending:

"And here, I am placed in a somewhat unpleasant position – namely, that, having a satisfactory balance of £2,377,000 to dispose of, I see havoc and devastation wrought upon that balance by my Rt Hon Friend the President of the Local Government Board."

Despite that, by increasing indirect taxation – including an extra tax on bottled wines and a new tax on what he described as "pleasure horses", Goschen was able in 1888 to achieve his overriding objective of reducing income tax from sevenpence in the pound to what he considered the correct level for peacetime, of sixpence.

Within the privacy of these four walls, and strictly off the record, I must warn you that I do not expect to be able to emulate Goschen next month. But if much has changed since 1888, some things have not.

London then was the financial capital of the world. The competition is a good deal fiercer today; but, freed from unnecessary restrictions and controls, and in a benign political and economic climate, London has once again the chance to establish itself as the financial capital of the world. And that is yet another good reason, on this historic occasion, to ask you to rise and drink a toast to the newspaper on which so many of us have, at one time or another, worked, and which we honour on its centenary day – the Financial Times.

Stirring times in the first 100 years of a great world paper

LORD BLAKENHAM, chairman of Pearson, publishers of the Financial Times, gave the following speech.

My Lord Mayor, Lord Chancellor, Your Excellencies, Your Graces, My Lords, Chancellor of the Exchequer, Sheriffs, Ladies and Gentlemen.

We celebrate tonight 100 years of the Financial Times. We had thought that it might be a double celebration – as tonight is also the 13th anniversary of the Prime Minister taking on the leadership of her party. As you know, she has an emergency meeting in Brussels, and sadly cannot therefore be with us, but I would like to extend on behalf of the FT a special welcome and thanks to the Chancellor of the Exchequer, Nigel Lawson, who is our guest of honour, to Paul Volcker, who has been a dominating figure in post-war economic life in the United States, to our Lord Mayor, Sir Greville Spratt, and to all our guests.

The leading article in the first issue of the FT in February 1888 was entitled "Ourselves". It explained that the paper was designed to supply "a long-felt want" and it concluded with these words:

"The congratulations we have received, the good wishes, the earnest and liberal offers of assistance, the promises of active support, the eager curiosity to discover our personal identity, the consternation already caused in various financial camps, the astounding revelations which are being daily confided to us, the angry threats, the cautious overtures – these and numerous other evidences have satisfied us, more conclusively than ever that a financial paper for the City of London carrying the banner of WITHOUT FEAR AND WITHOUT FAVOUR, will not fail for lack of a *raison d'etre*.

Lord Blakenham: We intend to remain ourselves

"It is not our intention to draw, or even to suggest any invidious comparison between our own methods and policy and those of any of our contemporaries. Today we are concerned only with ourselves. Our attitude, our principles and our programmes are summed up in the motto we have quoted whilst they are elaborated more in the corners of our title page. This is the field we have entered – and our arrangements have been made with a view to permanent occupation."

In the left corner of the title page the new paper described itself as: "The friend of the honest financier, the *bona fide* investor, the respectable broker, the genuine director, the legitimate speculator." In the right corner it claimed to be: "The enemy of the closed Stock Exchange, (it's taken 100 years to put that right) the unprincipled promoter, the company wrecker, the Guinea Pig, the Bull, the Bear and the gambling operator."

A stirring start, but the article that followed immediately after did not do quite so well. For, ignoring that pious statement that no invidious comparisons were to be drawn, it began: "It must have been somewhat mortifying to our contemporary Financial News to find that . . " and it then proceeded to hold up to ridicule the accuracy of that paper's "facts".

The two papers remained rivals for nearly 60 years until they merged in 1945, under the leadership of Brendan Bracken, to form the springboard for the modern Financial Times.

In the time we have I cannot cover much of the history of the FT. David Kynaston has written a short, (540 pages!), brilliant and enormously readable book, published today by Viking Penguin, a copy of which will be presented to everyone as they leave, but I would none the less like to say a few words about some of the personalities and fundamental attitudes that have brought the FT to its present pre-eminence.

Brendan Bracken put in place the triumvirate that was to lead the paper through the 50s and 60s and into the 70s. It consisted of the editor, Gordon Newton, the advertisement manager, Sidney Henschel, and the managing director, Lord Drogheda.

Lord Drogheda when he gave up the chairmanship in 1975 had served as chief executive for no less than 30 years, and his contribution cannot be overestimated.

Anyone who saw the FT on Saturday will have read how well the three worked together to develop the newspaper. When Sir Gordon retired in 1972 he left behind a paper transformed, with a circulation of 190,000, as against the 60,000 when he started, and with a pervasive ethos of integrity and commitment to journalistic truth.

Fredy Fisher became the new editor, expanding the international and specialist coverage, and the paper became more and more professional, effectively providing a complete editorial service for the international businessman.

When he left in 1981, Geoffrey Owen took over and under his editorship the circulation has grown from 200,000 to over 300,000 today. In addition to Geoffrey Owen's editorial leadership this increase has been helped by several factors – the first related to the courageous decision that had been taken back in 1978 by Alan Hare and his team to establish the FT as Europe's business newspaper.

Alan Hare had succeeded Lord Drogheda in 1975 and the decision was courageous because it involved planning to run substantial European losses for at least four years before the project could become profitable. Now we are reaping the benefits and Continental circulation has increased from 14,000 to 50,000.

Other factors have been the increasing thirst for financial information, as a result of the globalisation of securities markets, and the increase of sales in the United States as a result of our printing there.

So over the years the FT has moved from being just a financial paper for the City of London, to being the UK's business newspaper, to being Europe's business newspaper and now, as it becomes increasingly international, to being one of the world's great newspapers.

I have mentioned the names of some of the people who have played leading roles, but the story of any newspaper is a story which embraces the careers and personalities of many people. We should not forget the grinding hours that have been put in on the management front and the countless individual awards that have been won by FT journalists – a recent example is the important West German "Ludwig Erhard Award for Economic Writing" which has been won by Samuel Brittan. Normally this award is given to academics and not journalists and this reflects both the quality of FT writing and our international coverage.

Many more deserve mention but I would not know where to stop. I'll bring up just one more name, which is that of Frank Barlow, the FT's chief executive for the last four years. He has provided inspired leadership and masterminded the peaceful transition of the newspaper to modern technology, while sustaining morale and motivation and improving profitability beyond all recognition.

With new technology, with the development of our electronic information capability, with agreements and strategic alliances with local national business papers in other parts of the world, with the consolidation of our European base, and with more and more copies being sold internationally, our horizons are expanding all the time.

But putting aside personalities, numbers and strategies, what makes the FT so special? I would suggest that the breadth of its coverage, the depth of its financial analysis and the quality of its writing are important. Also its accuracy and objectivity, which are key ingredients not only to attract the best writers but also to ensure the credibility the newspaper deserves.

The FT has been part of the Pearson group for more than 30 years. In that time, Pearson have been fully involved in its strategic decisions, management arrangements, financial objectives and capital backing. They have never interfered in editorial matters.

A distinguished editor of the Times, not unconnected with the FT in earlier days, recently wrote: "Both editorially and commercially, the Financial Times is one of the great success stories of post-war British publishing. I think its influence is wholly for the good. It sets a standard of seriousness in its coverage which everyone admires. It is an unegotistical paper, free of the personal follies of much contemporary journalism. It is trusted as much on the left as on the right, read by trade union leaders as carefully as by cabinet ministers."

We intend over the next 100 years to move from being "one of the world's great newspapers" to being "the world's great newspaper". And above all, we intend to remain ourselves.

Volcker sees danger in further fall of dollar

BY SIMON HOLBERTON

FURTHER DOLLAR depreciation would serve only to feed an illusion that the US could deal with its trade imbalance by monetary manipulation, Mr Paul Volcker, the former chairman of the US Federal Reserve Board said last night.

He was speaking at the dinner at the Guildhall in celebration of the 100th anniversary of the Financial Times.

Mr Volcker said that what the world economy currently needs is stability in foreign exchange markets. He called for a wider response to the warning implicit in the October collapse in share prices than simply re-examining market mechanisms.

A clearer recognition of the desirability of exchange rate stability, alongside the need for domestic price stability, could provide the necessary focus to avoid the huge imbalances which currently dominated the world economic scene.

"For far too long, it seems to me that we have collectively been running too great a risk to the world economy by failing to act more decisively to deal with obvious imbalances," he said.

Mr Volcker said that another fall in the value of the dollar might threaten the prospects for growth in Europe and divert the US Government from taking the necessary steps to curtail excessive domestic spending, and US business from making efficient and productive investment.

"I know there are some that urge even greater depreciation of the dollar, arguing that 'overshooting' may be necessary to, in effect, shock businesses into changing patterns of imports and exports," he said.

"But such a course strikes me as highly dangerous. It would be counterproductive in the sense of inflationary risks (and therefore interest rate risks) in an American economy that is now relatively fully employed and already experiencing pressures on capacity in our most internationally competitive industries."

Mr Volcker said he recognised that no matter what the intellectual force of the observation that further dollar depreciation would be harmful to the world economy, but that was hardly a conclusive factor in the present market outlook.

The fact remained that in the best circumstances the US would have to finance a current account deficit of far more than $100bn this year and that sizable deficits were inevitable for several years to come.

"That financing, in the last analysis, will have to rest on confidence – confidence that we are serious about dealing with excessive spending at home, by cutting the budget deficit, serious about maintaining progress toward price stability and that the external deficit is trending down."

In the context of a presidential year, however, he said there was a real danger that presidential candidates would refuse to deal with the awkward issues of expenditure cuts and taxes and thereby fail to build a political base for understanding subsequent action.

Mr Volcker said that there were signs that some of the necessary adjustments in the US external accounts were beginning to take place. There were signs that US consumption was more subdued, perhaps because of the effects of the October crash in share prices.

The volume of US exports was rising strongly despite sluggishness in most foreign markets.

Japan appeared to be joining the UK in providing some impetus to growth, thereby reducing the risks that a slowdown in the US might set off a recession.

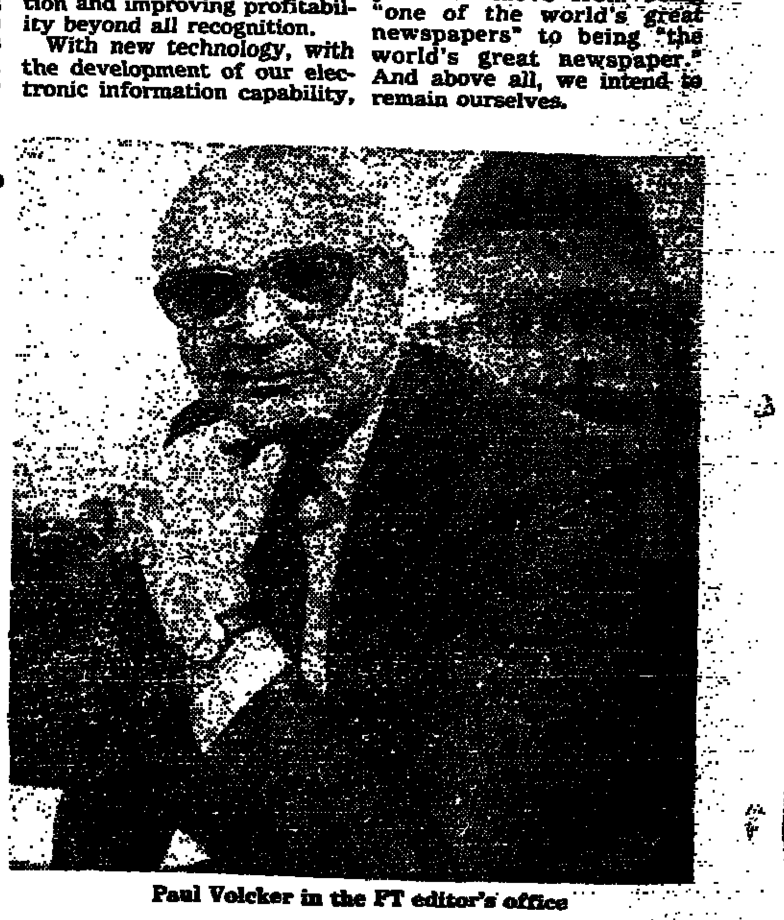
"In the circumstances, some visible progress in closing the trade imbalance should be possible, providing tangible support for the renewed efforts of the leading industrialised nations in their effort to encourage greater stability in exchange markets."

Progress in the direction of stability was the logical extension of the discussions within the Group of Seven leading industrialised nations over the past year.

"More fundamentally, it seems to me consistent with the evident disposition of individual countries to seek greater exchange rate stability with their principal trading partners, a process that is, of course, well advanced within Europe.

"Still more broadly, the long sweep of history, recorded for a century in the pages of the Financial Times, suggests that monetary stability, flourishing trade and economic growth are likely to be mutually reinforcing over time rather than incompatible.

Mr Volcker said he possessed no blueprint for achieving that and said he thought we were far from the time when active negotiations would be feasible and productive.



Paul Volcker in the FT editor's office

MANAGEMENT

THE ASTONISHING October stock-market crash has already had severe repercussions for many in the financial services industry.

Two examples were E.F.Hutton and Wood Gundy. The former fell into the hands of Shearson Lehman soon after. Wood Gundy lost an estimated C$40m on underwriting the ill-fated British Petroleum share issue and in the process also lost a prospective merger partner in First National Bank of Chicago. Now, a controlling stake in Wood Gundy is to be taken by Canadian Imperial Bank of Commerce, subject to regulatory approval.

However, for Royal Bank of Canada, the country's largest chartered bank with assets of C$102bn, the cloudburst that enveloped Wall Street and the rest of the world's major equities markets had a very pronounced silver lining.

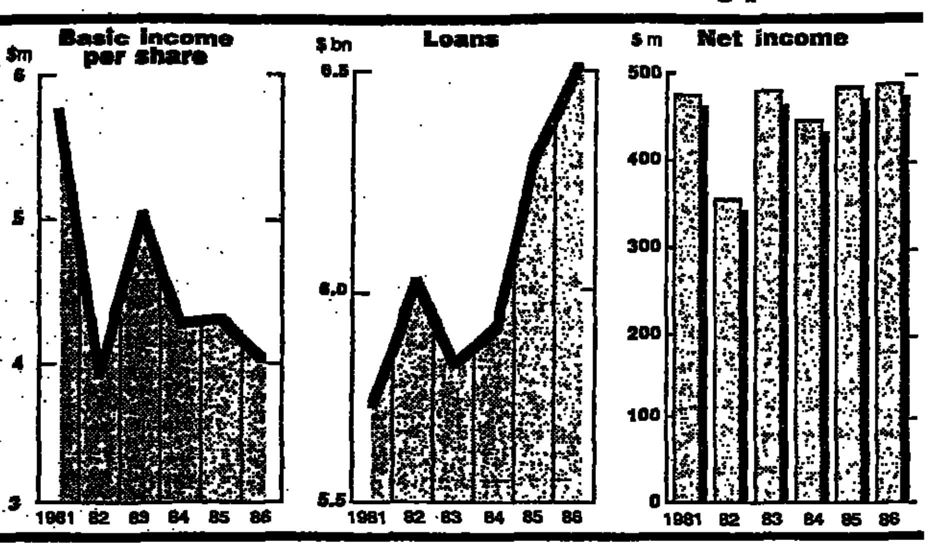
Six weeks after Black Monday, representatives of the business media were summoned to the 14th floor of the bank's stylish Toronto tower block to be told that the Royal had clinched a deal to buy 75 per cent of Dominion Securities, Canada's leading investment dealer, in a deal worth C$385m.

Royal Bank of Canada

Where patience was a virtue

David Owen explains why the bank's approach to deregulation is winning plaudits

A.R.Taylor



While Dominion president, Anthony Fell, took pains to stress that the crash did not precipitate the deal, observers suggested that the plunge (which at one point wiped 46 per cent off the Dominion share price in two weeks) may have removed any lingering temptation for the dealer to remain independent. "I think if you took a confidential poll (of Dominion employees) there would be a big increase in the number who would actively solicit a bid," was one insider's comment.

Certainly, the Dominion deal changed perceptions literally overnight of the way the Royal had handled the gradual deregulation of Canadian financial services.

Criticism that the bank had been caught flat-footed while competitors all around were leaping nimbly into bed with the cream of Bay Street, Toronto's financial centre, evaporated. While early birds like Bank of Nova Scotia scrambled (successfully) to renegotiate terms thrashed out before the crash to buy investment dealer McLeod Young Weir, the Royal-Dominion tie-up was greeted with near universal approbation. Patience had indeed been shown to be a virtue.

This change of circumstance, however serendipitous, must have been particularly gratifying for Allan Taylor, the Royal's 55-year-old chairman, whose personal trademark the softly, softly approach is fast becoming.

Since taking the helm in 1986 from Rowland Frazee, his much-revered predecessor, the down-to-earth Saskatchewanian has frequently been accused of excessive circumspection.

Some 18 months later, however, a recognisable Taylor-stamped strategy is starting to emerge. In a nutshell, it combines optimising the bank's existing strengths with exploiting areas of fresh opportunity – particularly those, like domestic investment banking, opened up by continuing deregulation.

Top priority remains the domestic retail bank, described by Taylor as "a tremendous backbone". With C$42bn in consumer deposits from its 6.5m customers, the Royal has one of the largest retail deposit books in the world and the largest Visa card base in Canada. It has been spending heavily on training and technology in a bid to consolidate this leadership.

Second on Taylor's list is the expansion of investment banking services using the soon-to-be-renamed RBC Dominion Securities as the cornerstone. Taylor believes that Dominion can play a big part in improving the performance of the Royal's established UK-based investment banking operations, namely the Orion Royal merchant banking unit and the brokerage house Kitcat & Aitken. Orion in particular has had its problems lately, as Taylor acknowledges, falling into losses in 1986 and withdrawing from the Eurobond market in November.

"Trying to be involved in something that is that different and 3,000 miles away is not the easiest trick in the world," reflects Taylor. But "when you put Dominion together with Orion, together with Kitcat & Aitken, we think we've got something pretty good with a Canadian flag on it that will be operating internationally."

The Royal will also seek to exploit opportunities in insurance and fiduciary and information services as they arise as a result of deregulation. Taylor recently appointed Joe Regan, a 57-year-old senior executive vice president in charge of strategic initiatives, reporting direct to the chairman's office. Says Taylor: "Certainly, we are going to be involved in investment management. We are in it in a big way now managing our own funds."

On the international front, the bank has already been busy refocusing its wide-ranging activities on areas expected to yield the best returns in future. Overseas operations with assets of approximately C$1bn have been trimmed, while the bank's profile in Australia, Barbados and the Bahamas has been raised. "We really have to look at everything today on profit potential," Taylor says. "If people describe us as being a niche player on international markets, I don't mind that."

Finally, the US market is clearly defined, in Taylor's words, as "a strategic thrust", although he continues to be wary of the sums necessary to "do it in a meaningful way". Once again, Taylor's stance has been widely criticised as unduly cautious, not least because of Bank of Montreal's successful if pricey 1984 purchase of Chicago's Harris Bank.

Even at post-crash prices, however, Taylor is unlikely to rush into any rash decisions. "It's a strategic priority," he reiterates, "but perhaps not quite the kind of priority that we would be putting on other things."

To a degree, evolutionary rather than revolutionary change is inevitable in an organisation comprising 1,500 domestic branches dispersed over Canada's enormous land mass. Taylor's own extensive grass roots experience (he joined the bank as a junior clerk in 1949) has heightened his awareness of this. If too many new products are launched too rapidly, he feels, "at some point, branches start to say wait, wait, we can't do anything more."

This was one reason why the recent internal restructuring of the bank into a three-pronged retail-commercial-investment banking configuration was also accomplished gradually. Having put in place an interim management structure on succeeding Frazee, Taylor did not reveal his definitive framework until just before the Dominion deal.

"With 1,500 branches, it's not as easy to do as a unit bank in the United States. So we have respected that and said, go more slowly," Taylor explains. "You tell a customer that, by the way, next Monday we are changing our organisation and we want your corporate business done over at the commercial centre twenty-five blocks (or, in some provinces, 30 miles) away – but your personal business can stay here because this is a retail branch, and what does he say? He says: 'You've got to be kidding.' You have to do that carefully."

But in the final analysis, Taylor's gradualist philosophy will be judged less for its compelling logic than its results. Can such an approach provide a strong enough tonic to satisfy shareholders?

After all, in the fiscal year ended October 1987, the Royal capped four years of stagnant profits by reporting a whopping C$259m loss following a C$1.4bn addition to its general provision for losses on Third World loans.

Much will depend on the accuracy of Taylor's assertion that the Royal's loan portfolio "has been improved tremendously" and that "we have the very worst behind us."

As he acknowledges, asset quality has been the bank's greatest problem in recent years. And its hefty exposure in the cyclical domestic energy and agriculture sectors has sparked as many headaches as the troublesome sovereign loans. "In energy loans, we have written off very large sums of money over 5-6 years," he says.

But if observers remain somewhat sceptical about the bank's resource portfolio, the rise in its Third World loan loss provision may provide some relief by precluding the need to set aside more funds for this purpose – at least for a year or two.

Ottawa is again examining the adequacy of Canadian banks' reserves against these exposures. Before last year's unprecedented addition, the bank had been salting away a precautionary C$100-200m a year in this way. "We are not expecting to have to put anything more to the LDC situation," says Taylor. "As a result of that kind of change, there is quite an opportunity for improvement."

On the other hand, the Royal will be hard-pressed to maintain its current high rate of return in the core domestic retail sector, due both to the projected economic slowdown and intensifying competition.

Trust companies have met considerable success in their increasingly aggressive and sophisticated attempts to lure retail business away from the traditional chartered bank havens and foreign banks like London-based Lloyds are taking a piece of the action too.

To combat the threat, the Royal has relied heavily on extensive retraining and heavy capital spending on new technology. In common with other banks, it has boosted its emphasis on the top-scale "private banking" market, referred to by Taylor as "sit down" as opposed to "stand up" banking.

On the investment banking front, it is likely to be some time before Dominion begins to contribute to its full potential – particularly if 1988 turns out to be as glum a year for the securities business as most forecasts suggest. The same could be said of the bank's international operations, which last year saw a 48 per cent decline in earnings compared with 1986.

Management abstracts

Assert your corporate personality. *D Haigh in AA (UK), Oct 87 (3 pages)*
Takes a rather dim view of the new breed of corporate communications expert, described as 'pseudo-scientists', who are more likely to consider corporate strategy and critical success factors than what shade to use in the logo; considers recent attempts by some companies to brush up their identity, praising for example Prudential Assurance (Prudence has been updated to look 'like a yuppie in an aerobics session'; believes that the accountancy profession has little of interest in terms of design and image.

Mixing professions. *V McDougall in Accountancy Age (UK), 22 Oct 87 (1 page)*
Discusses multi-disciplinary practices (ie including solicitors and accountants), pointing out the professional differences and the problems marriage might pose. Focusses on their differing views of independence – for the accountant it means essentially to be objective, but for the solicitor it is the freedom, from external pressures, to protect clients.

A nation of shareholders? *P Bostok in Admap (UK), Sep 87 (4 pages)*
Avers that increases in share ownership in the US and Europe could be merely a fad because the public at large does not understand the meaning of investment, confusing it with saving, insurance and gambling; argues that there is a big educational job to be done by brokerage firms, whose current advertising shows that they do not fully appreciate this.

Audio-visual extravaganzas. *Audio Visual (UK), Sep 87 (5½ pages)*
How-to-do-it of staging big events with complex A-V support: 1. a one-day event at the NEC with lighting on an outrageous scale, a lake/fountain and fairground/circus intended as a vehicle for a culture change by Woolworth (1,400 participants); and 2. the Third World Advertising Congress in Peking – 15 tons of equipment, a 2,000-strong audience and 172 presentations over five days.

Just in time in the smaller company. *HJ Jones in BPICS Control (UK), Octo/Nov 87 (2½ pages)*
Demonstrates that there are significant savings available to smaller companies (ie employing less than 20 people) from JIT without any great expenditure on equipment or systems; shows how Knowles Electronics Company introduced the approach through a pilot scheme; explains how the system was extended plant-wide through the use of employee seminars and project teams.

The human resource side of mergers. *JS Fappanastos & others in Business (US), Jul/Sep 87 (9 pages)*
Against a background of failure in many US mergers and acquisitions, examines the major human relations difficulties they create and which critically affect their outcome; outlines four merger categories – rescue, collaboration, contested and raid – and the emotional/psychological side-effects on personnel that each can produce. Provides guidelines for positive management action by acquiring companies; explains how to conduct a personnel assessment exercise aimed at identifying talent and potential among the acquired staff, and offers suggestions for improving the motivation of those retained.

Interviewing techniques. *C Tung-Pow in Business Executive (UK), Sep/Oct 87 (4 pages)*
Opens with the assertion that 'business executives will . . . conduct interviews for various purposes', but thereafter devotes itself entirely to interviewing for candidate selection. Does this with thoroughness: how to put questions, how to develop the interview, how to clear up ambiguities, how to test and evaluate the candidate.

Ban the press release. *M Daly in Business Marketing (US), Oct 87 (2½ pages)*
Points to the flood of press releases which confront editors and journalists every day and also to the fact that most of them are pretty dire (the press releases, that is); looks at the need to make sure that a message in some way stands out. Offers seven options, other than the regular press release, from the captioned photo through to the one-on-one meeting with an editor.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

TECHNOLOGY

Calgary 1988. Paul Abrahams explains how technological supremacy has become increasingly important in the quest for Olympic glory

Microseconds that can make or break

THE MOST important moments of the Olympics for ski manufacturers are not during the races themselves, but those brief seconds on the winning podium, when images of their products are beamed to a potential worldwide audience of 1.6bn people.

Those few seconds are the culmination of and justification for years of technological research. They are, claim manufacturers, worth millions of pounds of advertising.

In a sport where the difference between victory and defeat is measured in hundredths of seconds, ski technology has become increasingly important in determining whether or not a manufacturer enjoys that publicity.

Rossignol, the French ski manufacturer based in Voiron, estimates that 80 per cent of the result in special slaloms is dependent upon the skier and 20 per cent on the skis. In the downhill, where the skier turns much less and the surface of the ski is flat on the slope for much longer, the importance of the skis' performance is increased to 40 per cent of the winning margin.

Winning in the Olympics or World Cup is significant because it demonstrates the technical expertise of the company and provides an indication of the potential performance of skis which will be put on sale to the public during the following season. The racing skis of today are the recreational skis of tomorrow.

This demonstration of technical expertise is important for an industry which aims to provide the consumer with the possibility of purchasing a new and technically improved product every year.

"The philosophy of the Rossignol group is founded on a commitment to innovation. Competition is the best possible way to test our latest products. It also provides the best possible shop-window for our most recent research," says Jean-Jacques Bompard, secretary general of the Rossignol Group.

The cost of maintaining the competitive edge created by research can be high. Bompard estimates that last year his company invested 4 per cent of turnover in research.

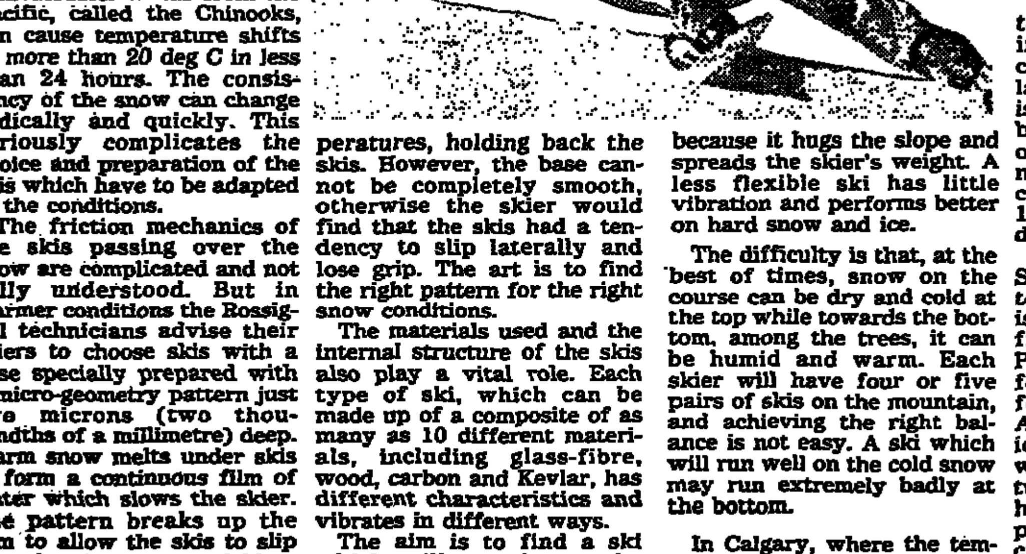
In addition Rossignol put 3 per cent of its sales revenue back into sponsorship and competition promotion. The company sponsors about 20 per cent of World Cup skiers, but to achieve that figure, it sends out talent-scouts to recruit a pool of 2,000 young skiers with championship winning potenial.

Rossignol believes that money spent on racing is not wasted. It argues that there is a connection between its record in racing – more victories than any other manufacturer since 1956 – and its position as the world's largest alpine ski manufacturer.

The company argues that sponsorship is all the more important because of the present nature of the ski market. After a period of rapid expansion since the 1950s, the market is now static, and competition for sales is intense.

Next season, Salomon, the French boot and binding manufacturer based in Annecy, will enter the ski market, after five years of research and a formidible reputation for successful diversification.

This season the world market may even contract because of poor snow conditions in Europe, and the fall in the value of the dollar has affected sales of European skis in the US. Victory in the Olympics, and the resultant sales-boosting publicity, has therefore become all the more vital for the world's ski manufacturers.



The technicians at Rossignol are aware of the importance of their role. "Our only job is to win races and put people on the victory rostrom," says Maurice Woehrle, director of research at Rossignol.

The difficulties of doing that in Calgary next week are considerable. Winds from the Pacific, called the Chinooks, can cause temperature shifts of more than 20 deg C in less than 24 hours. The consistency of the snow can change radically and quickly. This seriously complicates the choice and preparation of the skis which have to be adapted to the conditions.

The friction mechanics of the skis passing over the snow are complicated and not fully understood. But in warmer conditions the Rossignol technicians advise their skiers to choose skis with a base specially prepared with a micro-geometry pattern just two microns (two thousandths of a millimetre) deep. Warm snow melts under skis to form a continuous film of water which slows the skier. The pattern breaks up the film to allow the skis to slip over the snow more quickly.

In cold conditions, a smoother base is used to prevent the snow crystals, which are more sticky at low temperatures, holding back the skis. However, the base cannot be completely smooth, otherwise the skier would find that the skis had a tendency to slip laterally and lose grip. The art is to find the right pattern for the right snow conditions.

The materials used and the internal structure of the skis also play a vital role. Each type of ski, which can be made up of a composite of as many as 10 different materials, including glass-fibre, wood, carbon and Kevlar, has different characteristics and vibrates in different ways.

The aim is to find a ski which will remain on the snow for as much time as possible. A flexible ski which tends to vibrate a great deal runs better on soft snow, because it hugs the slope and spreads the skier's weight. A less flexible ski has little vibration and performs better on hard snow and ice.

The difficulty is that, at the best of times, snow on the course can be dry and cold at the top while towards the bottom, among the trees, it can be humid and warm. Each skier will have four or five pairs of skis on the mountain, and achieving the right balance is not easy. A ski which will run well on the cold snow may run extremely badly at the bottom.

In Calgary, where the temperatures change so quickly, the task is much more difficult. There could be some surprise winners – and losers – next week.

Snowflakes are dancing to a man-made tune

"WITHOUT Snomax, we would have had the greatest difficulty in holding the Olympics here," says Bruce Cleveley, the Olympic Organising Committee's vice-president of operations.

He is referring to the biotechnology-based snow making machinery brought in to compensate should there be a lack of the real thing. And it is just as well. For, three days before the start of the games, only 5cm had fallen at Canmore, the site for the cross-country events, and 10cm at Nakiska where the downhill skiing is to be held.

The technology behind the Snowmax snow-making system chosen by the committee is based on a protein made from a natural bacterium, Pseudomonas Syringae, which forms a microscopic nucleus for the artificial snowflake. Although the melting point of ice is 0 deg C, water droplets will only freeze at temperatures above -10 deg C if they have a nucleus, such as a dust particle, around which the ice crystal can form.

The bacterial protein can form the nucleus of a snowflake at temperatures as high as -2 deg C. For reasons not fully understood by scientists, the protein is particularly effective at aligning the water molecules into the crystal structure of a snowflake and it allows the latent heat in the water to escape into the air very quickly as it freezes. The protein is said to increase the efficiency of snow-making by 30-80 per cent, depending on conditions.

These ice-making properties were discovered ten years ago at the University of Wisconsin. But the technique was only perfected as a commercial system last year by Snomax Technologies, a Rochester, New York-based subsidiary of Eastman Kodak.

Snomax was able to overcome the sensitivity of the protein to temperature and its high cost of manufacture. Companies from Sweden, Canada and the US had all tried to develop the product but failed to solve the protein's inherent instability.

"It was far from easy to solve the stability problems of the protein. It needed some complicated bio-chemical engineering and good chemical processing, but we can now store the protein for three to four months," says Edward Robinson, president of Snomax.

The company claims that the system is easy to instal and use. The protein is injected into water stored in tanks at the bottom of the ski slopes. The liquid is then pumped up the mountain and sprayed on to the pistes.

The snow produced is, at first sight, indistinguishable from the natural thing. However, its consistency is lighter and drier than snow produced by conventional artificial means. Once smoothed on the slopes by machines called piste-bashers, Snowmax says its snow forms an ideal base for racing.

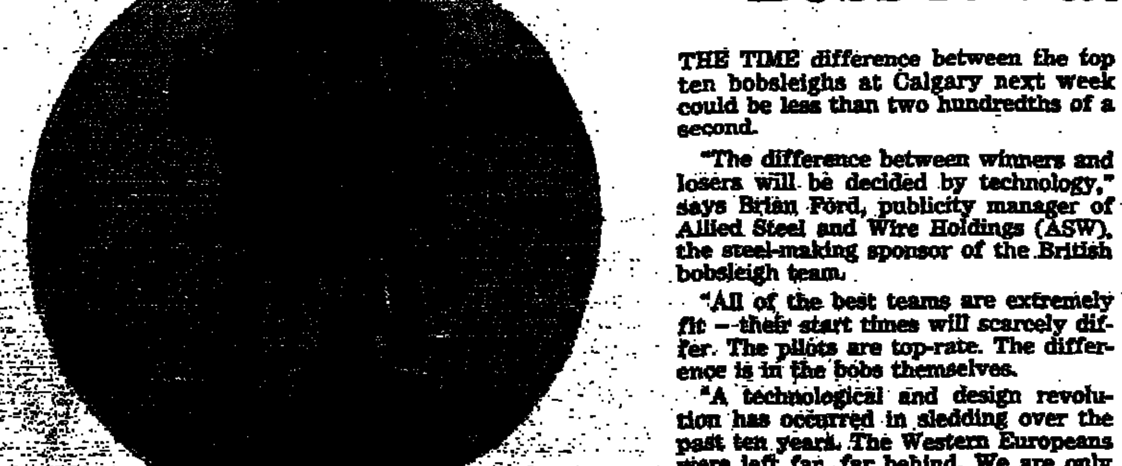
If the pumping and spray systems are already in place, the capital cost for the installation of Snomax is about $10,000. A three kilogram case of the protein which treats 4m litres of water costs $1,600.

The protein is now being used in about 100 ski stations in North America. Snomax says that resorts have reported that its product can, in a marginal year, make the difference between losses and a very profitable season.

In Calgary the Snomax system has been working since the second half of December and all through January. At Nakiska, the downhill and slalom courses have had to receive a metre of artificial snow.

"It has been exceptionally warm over the last two months, and even with the advantages of Snomax, the possibility of snow-making has been marginal," says Bruce Cleveley. "During the days we have had temperatures of 0 deg C, and we have only been able to use the system at night. Without the protein we could have had a disaster on our hands."

Bobs run at the forefront of innovation



Temperature variations in Calgary could play havoc with the selection of bobsleigh runners

THE TIME difference between the top ten bobsleighs at Calgary next week could be less than two hundredths of a second.

"The difference between winners and losers will be decided by technology," says Brian Ford, publicity manager of Allied Steel and Wire Holdings (ASW), the steel-making sponsor of the British bobsleigh team.

"All of the best teams are extremely fit – their start times will scarcely differ. The pilots are top-rate. The difference is in the bobs themselves.

"A technological and design revolution has occurred in sledding over the past ten years. The Western Europeans were left far, far behind. We are only now catching up," he says.

Machines in the mid-1970s were unsophisticated – hardly more complicated than the sleds used when the sport was invented by the British a hundred years ago. The East Germans saw that the sport had not taken on board the technological innovations of the period, and decided to challenge the then dominant Italians and Swiss.

For the next five years they dominated the World Cup and Olympics, bringing into play modern aerodynamics tested in wind-tunnels, an improved chassis, a database with records of every run on every track, trained international track and field sportsmen, and a back-up team of 37 army officers.

Brian Ford explains that ASW decided to help the British team in 1983. "We felt that we had a good deal to offer them. Our main thrust has been in runners – what you would expect from a steel company," he says.

ASW adopted a Swiss computer-designed chassis and bob which used a mixture of Kevlar and fibre-glass. Kevlar on its own is particularly strong and can deal with the stresses of being hammered against the side walls. But it proved too light, and tended to allow the runners to lift off the surface of the ice.

Together with University College Cardiff, ASW ran a project to study the friction of metal on ice. The aim was to find the right materials to allow the runners to retain or even increase heat as they ran down the course, and so improve speeds. A material that was too hard could also be brittle and shatter during the run – a less than safe prospect in a bob travelling at full speed. Methods of polishing the runners, and their shape and bow, were also studied.

"The runners we have are something else – beautiful. The problem is Calgary. The variations in temperature could play havoc with the track and the selection of the runners," says Ford.

Arts Week

F	S	Su	M	Tu	W	Th
5	6	7	8	9	10	11

February 12-18

Opera and Ballet

LONDON

Sadler's Wells. American modern-dance acrobatic troupe Momix. (278 8916).

Royal Opera, Covent Garden. Janacek's Jenufa returns to the house in the production by Yury Lyubimov that was new, and widely admired, last season. Ashley Putnam (title role) and Eva Randova return to the production; Jan Blinkhof and Arthur Davies are new to it, as is the conductor Christian Thielemann (British debut). Last performance of the new Parsifal, finely conducted by Bernard Haitink but staged with sad feebleness by Bill Bryden. Waltraud Meier as Kundry is the star of a generally first-rate cast. Royal Ballet introduces a triple bill on Thursday.(240 1066).

English National Opera, Coliseum. In repertory this week: Graham Vick's deeply unsatisfactory Madam Butterfly production, with Janice Cairns and Edmund Barham as Cio-Cio-San and Pinkerton; and the latest revival of David Pountney's fun but not-very-Offenbachian Orpheus in the Underworld, in Gerald Scarfe's celebrated sets. (836 3161).

PARIS

Paris Opéra. Homage to Serge Lifar by the stars and pupils of the Paris Opéra Ballet with Icare danced in Picasso's décor and costumes alternates with Katia Kabanova inaugurating a cycle of Janacek in a co-production with the Los Angeles Music Center Opera conducted by Jiri Kout. Karan Armstrong, Barry McCauley and Leonie Rysanek express the tragic claustrophobia of a small town. (47425371).

Opéra Comique. La Fille du Regiment is conducted by John Burdekin at the (47425371).

Palais des Congres. Bejart Ballet in repertory.

NETHERLANDS

Amsterdam Muziektheater. Balanchine programme from the National Ballet – Concerto Barocco (Bach), Violin Concerto (Stravinsky) and Theme and Variations (Tchaikovsky). (Wed and Thur). (255 455).

WEST GERMANY

Berlin, Deutsche Oper. Der Troubadour is a Herbert von Karajan production. Hoffmanns Erzählungen, sung in French, has fine interpretations by Faye Robinson, Kaja Borris and Kenneth Riegel. Fidelio, in Jean-Pierre Ponnelle's production, takes the leads Deborah Polaski, Barbara Vogel, Hermann Winkler and Harald Stamm. Tosca has a strong cast with Janis Martin and Ingvar Wixell. Also Die Zauberflöte and the ballet La Fille Mal Gardée (34 381).

Hamburg, Staatsoper. Cav and Pag stars Julia Varady, Hildegard Hartwig, Giorgio Lamberti, Piero Cappuccilli, Natalia Troitskaya, Wladimir Atlantow and Gino Quilico. Die Verkaufte Braut has Olive Fredricks, Linda Plech and Kurt Moll. John Neumeier's ballet Endstation Sehnsucht. (35 11 51).

Cologne, Opera. Pique Dame has Josef Protschka, Mandred Volz, Martha Modl and Nadine Secunde. Der Barbier von Sevilla takes the leads Cecilia Bartoli, Louis Quilico and Carlos Feller. (20 761).

Frankfurt, Opera. Le Nozze di Figaro features Hildegard Heichele, Nan Christie, Marianne Rorholm and Wolfgang Schöne. Der Zigeunerbaron will be conducted by Volkmar Olbrich. Also in the repertory: John Cage's two operas Europeras 1 & 2. (25 621).

Stuttgart, Württembergisches Staatstheater. Anna Bolena has Bruna Baglioni and Alejandro Ramirez, brilliant in the leading parts. Iphigenie auf Tauris in Achim Freyer's production with Rachel Gettler, Tomoko Nakamura and Claes H. Ahnsjo, and Die Entführung aus dem Serail. (20 321).

Munich, Bayerische Staatsoper. Salomé has a strong cast led by Brigitte Fassbaender, Carmen Reppel, Walter Raffeiner and Georg Paskuda. This week's highlight is Tannhaüser, starring Rene Kollo in the title role and Elisabeth Connell singing both parts, Elisabeth and Venus. Die Zauberflöte is steered to triumph by Elfie Hobarth, Angela-Maria Blasi, Kurt Moll and Siegfried Jerusalem. Romeo and Juliet, and Der Widerspensigen Zähmung, both choreographed by the late John Cranko, round off the week. (21 851).

NEW YORK

New York City Ballet performs every night except Mondays with Saturday and Sunday matinees in a wonderfully varied repertory.

Lincoln Center Opera House. Metropolitan Opera. James Levine conducts Otto Schenk's new production of Siegfried with Hildegard Behrens, Gwendolyn Bradley, Peter Hofmann and Donald McIntyre. Nello Santo conducts Turandot in Franco Zefferelli's production with Ghena Dimitrova, Leona Mitchell, Nicola Martinucci and Franco De Grandis. Nello Santo conducts Luisa Miller in Nathaniel Merrill's production with Silvia Mosca, Wolfgang Brendel and Paul Plishka. Sir Peter Hall's production of Macbeth conducted by Giuseppe Sinopoli features Eva Marton, Renato Bruson and Samuel Ramey. (362 6000).

CHICAGO

Auditorium Theatre. American Ballet Theatre.

ITALY

Rome, Teatro dell'Opera. La Sonnambula in the production given here two years ago by Silvia Cassini. The cast includes Jean Anderson, Roberto Scandiuzzi and Raoul Gimenez, conducted by Hubert Soudant. (46 17 55).

Naples, Teatro san Carlo. Gustav Kuhn's production of Parsifal with Peter Winberger, John Shaw, Matthias Hoelle and Horst Lanbenthal, *which he also conducts.* Scenery and costumes by Peter Pabst. (41 70 44).

Turin, Teatro Regio. Götterdämmerung, in Gianfranco de Bosio's production with sets by the Hungarian designer, Attila Kovacs. The cast includes Jeannine Altmeyer (Brunnhilde) and Yvonne Minton (Waltraute), both in excellent voice. Zoltan Pesko conducts. (54 80 00).

TOKYO

Nakano Sun Plaza. Cendrillon. All the dancers wear masks and move like dolls in this fairy tale for adults presented by the Lyon Opera Ballet. Begins Wed. (478 8888).

Kan'in Hoken Hall. Canada's Royal Winnipeg Ballet in Giselle with Evelyn Hart. (584 7434).

February 12-18

Exhibitions

LONDON

Tate Gallery. Douglas Cooper – The Masters of Cubism. A small but choice selection of 81 works on paper from Cooper's collection of cubist art of all kinds but principally of the work of the great quartet of Picasso, Braque, Gris and Léger. Ends April 4.

Tate Gallery. Young Turner: Early Work Until 1800. The latest in the continuing series of small temporary exhibitions in the Clore Gallery devoted to the many aspects of the vast number of water colours and drawings in the Turner bequest. This display covers the crucial 12 years or so from the mid 1780s which saw Turner mature with astonishing rapidity from competent conventional topographist to a virtuoso of the medium of watercolour of astonishing breadth, freedom and originality. Ends March 20.

Hayward Gallery. Lucian Freud – a full retrospective exhibition of the work over more than 40 years of Britain's leading objective painter of the human figure, clothed and naked, and of the human head. Organised by the British Council, it has achieved considerable critical success in New York and Paris. Ends April 17.

Hayward Gallery. Roger Fenton – A full study of the work of one of the pioneers in British photography across a range of subjects – figures, landscape, architecture, travel, war. He was born in 1819, took to photography only in the early 1850s and gave it up in 1862, and yet within barely a decade he had achieved a body of work that places him in the front rank of the world's great photographers. Ends April 17.

National Gallery. Noble and Patriotic – Sir George Beaumont promised in 1824, of the gift of his pictures to the nation, nudged the government of the day into buying the Angerstein collection and thereby establishing at public expense the nucleus of our National Gallery. Here it is again in a small but delightful show – Canaletto, Rembrandt, Constable, Rubens and the rest. Ends May 3.

PARIS

Zurbaran. From New York, an exhibition of 72 paintings retraces the artistic development of one of the great masters of the Spanish Golden Age. Influenced at first by Caravaggio's chiaroscuro technique, Francisco Zurbaran progressively abandons the strongly-contrasted rich colours for a softer palette with near monochromes. Reversing the perspective, using geometrical composition settings and shedding everything superfluous, the mystical painter of the counter-reformation seems to be a precursor of cubism. Grand Palais. (42560924). Ends April 11.

Grand Palais. An important Degas retrospective of 275 works covers 60 years of the artist's career from his student beginnings in Italy to the rich maturity of his last years. His favourite themes of ballet dancers – there are the two versions of La Classe de Danse – and of jockeys and race courses, of washerwomen, milliners and bathers show the diversity of his inspiration echoed by the variety of his modes of expression: Oils and pastels, drawings and engravings, photographs and sculpture complete the vision of daring and invention of the painter who helped to usher in modernity. (42 56 09 24). Ends May 16.

WEST GERMANY

Munich, Villa Stuck. Pablo Picasso exhibition (on loan from the Hanover Sprengel Museum) displays around 300 paintings, drawings, graphic art prints from the artist's complete works, spanning cubism, classicism, and surrealism, as well as Picasso's later work. Prinzregentenstr 1. Ends Feb 28.

Stuttgart, Galerie der Stadt. Max Ackermann (1887-1975). The 100th anniversary of his birth commemorated by a comprehensive retrospective with 80 pictures from the main periods of his working life. Schossplatz 2. Ends Feb 21.

SPAIN

Murcia. The Romantic Tradition in Contemporary British Painting proposes that a parallel development to Modernism has embraced most major British artists since William Blake and that it is as alive today as 150 years ago. This is the first exhibition to undertake such a re-examination and the first group exhibition of contemporary British painting to tour Spain. It features 10 artists and 36 works from private and public collections, some being shown for the first time. The Romantics established a spiritual-landscape tradition which proved to be indigenous and an enduring influence in the century to follow. This lineage can clearly be traced from the 19th century through Nash, Sutherland, neo-romanticism, Moore, Bacon and British abstraction of the 1950s to the artists represented in this exhibition. Sala de Exposiciones. Ends March 3. Circulo de Bellas Artes, Madrid. March 10 to April 17.

SWITZERLAND

Geneva. Alberto Giacometti drawings and rare prints. Galérie Jacques Benador, 7 rue de l'Hotel-de-Ville. (21 61 36). Ends March 26.

WASHINGTON

National Gallery. A centenary retrospective of Georgia O'Keeffe includes 115 oil paintings and drawings, among them rarely seen examples from her familiar New Mexico landscapes, exotic flowers and still lifes. Ends Feb 21.

CHICAGO

Art Institute. More than 80 drawings of early 19th-century architect Friedrich Weinbrenner show his influence in rebuilding Karlsruhe and Baden Baden as well as doing numerous commissions for German royalty. Ends Feb 28.

TOKYO

National Museum, Ueno. Preliminary Paintings for Edo Castle. Recently discovered watercolours and working drawings by artists of the Kano School for a major remodelling in the 1830s or 1840s of the shogun's castle, where beautiful paintings decorated the sliding paper doors and ceilings. The idealised landscapes flow effortlessly from panel to panel with an abundance of seasonal flowers, birds and animals. Of particular interest are the sketches for the Pine Corridor, setting for one of the more violent incidents in Japanese history (portrayed in countless plays, films and soap operas), but here revealed for the first time as an idyllic riverside scene replete with swooping birds. Sadly, the charming picture of a baby dragon toying with a length of blue ribbon like a playful puppy was not used to adorn the walls of a nursery. Ends March 21.

Seibu Gallery (Seibu Department Store) Ikebukuro. Drawings, photographs and videos by Christo. Of special interest are the designs for a project that could be realised later this year – the simultaneous erection of thousands of octagonal umbrellas in the US and Japan: yellow to blend in with the desert landscape of California, and dark blue to merge with the lush greenery of a valley in central Japan. Ends Feb 16.

Japan Folkcraft Museum (Nihon Mingeikan), Komaba. Prints by Munakata Shiko, pottery by Kawai Kanjiro. A special exhibition featuring works by two of the leading Japanese artists of the 20th century. Munakata's prints are dynamic and vertiginous (possibly because he was near-sighted from his youth onwards), while Kawai's distinctive style favours brightly coloured glazes. Don't miss the superb standing collection of crafts from all over Japan, housed in a replica of an old farmhouse building which is in perfect harmony with the unselfconscious beauty of the objects.

Tobacco and Salt Museum, Shibuya. Beauties of Edo. The highlights of this exhibition are the woodblock prints by Utamaro, the great master of female portraiture, whose scenes of the licensed quarters have great wit and elegance. Ends Feb 28.

February 12-18

Music

LONDON

English Chamber Orchestra conducted by Jeffrey Tate with William Bennett, flute and Frank Lloyd, horn. Mozart. Barbican Hall (Mon). (638 8891).

Philharmonia Orchestra conducted by Paul Sacher with Anne-Sophie Mutter, violin. Haydn, Mozart, Stravinsky and Bartok. Royal Festival Hall (Tue).

English Chamber Orchestra conducted by Jeffrey Tate with Evelyn Glenny, percussion and Felicity Lott, soprano. Milhaud, Britten and Strauss. Royal Festival Hall (Wed).

City of London Sinfonia and Westminster Singers conducted by Richard Hickox with Simon Preston, organ, Jean-Bernard Pommier, piano, Patrizia Kwella, soprano and John Shirley-Quirk, baritone. Poulenc, Ravel and Faure. Royal Festival Hall (Thur).

London Sinfonietta conducted by Esa-Pekka Salonen. Dallapiccola, Maderna, Boulez and others. Queen Elizabeth Hall (Thur). (928 3191).

TOKYO

Rudolf Serkin (piano). Bach, Schubert, Beethoven. Suntory Hall (Mon) (573 3588, 545 8348).

Shura Cherkassky (piano) with the New Japan Philharmonic Orchestra. Schumann Suntory Hall (Tue) (545 9348, 573 3588).

Nohoru Kamimura (cello) with *Kazuoki Fuji (piano),* Francoeur, Schubert, Chopin, Falla. Tokyo Bunka Kaikan recital hall. (Tue) (437 6837).

Shinsei Nihon Symphony Orchestra, conductor Pascal Verrot. Faure, Ravel, Poulenc. Suntory Hall (Wed). (985 4836).

Takao Okamura (bass). Schubert Winterreise. Tokyo Bunka Kaikan recital hall. (Wed) (501 5638).

NHK Symphony Orchestra, conducted by Heinz Wallberg with Showa Academia Musicae. Rossini, Verdi. NHK Hall (Thur) (465 1781).

PARIS

Lucia Valentina-Terrani recital, Edoardo Lanza, piano (Mon). Théatre de l'Athenée (42 30 15 16).

The Nash Ensemble, Groupe Vocal de France conducted by Reibel: Delius, Bridge, Vaughan-Williams (Mon). Théatre des Champs Elysees (47 23 36 27).

Nouvel Orchéstre Philharmonique conducted by John Nelson, Gary Hoffman, cello: Haydn, Mozart (6.30pm); Maria Joao Pires, piano recital (8.30pm). Both concerts Mon. TMP-Chatelet (42 33 44 44).

Vienna Philharmonic Orchestra conducted by Claudio Abbado, Maurizio Pollini, piano: Beethoven (Tue). Salle Pleyel (45 63 88 73).

Vienna Philharmonic Orchestra conducted by Claudio Abbado, London Symphony Chorus conducted by Richard Hickox: Beethoven's 9th Symphony (Wed). Salle Pleyel (45 63 88 73).

Pierre Amoyal recital (Wed). Théatre des Champs Elysees (47 23 36 27).

Orchéstre de Paris conducted by Serge Baudo, Marc Laforet, piano, Pascal Moragues, Clarinet: Roussel, Ravel, Debussy, Prokofiev (Thur). Salle Pleyel (45 63 88 73).

Quartet Academy St-Martin in the Fields: Mozart (Thur). Salle Gaveau (45 63 20 30).

Thomas Trotter, organ with the Saint Michael Anglican Church choir: Stanford, Wesley, Gounod/Best, Wagner/Lemare (Thur). Radio France, Grand Auditorium (42 30 15 16).

ITALY

Florence, Teatro Communale. Katia Ricciarelli accompanied by Vincenzo Scalera (Tue), Gerd Albrecht conducts Beethoven (with pianist David Golub, soprano Beatrice Haldas and Baritone Udo Reinemann (Wed). (277 9236).

Rome, Oratorio del Gonfalone : Quartetto Romano Complesso di Strumenti Antichi, Corelli Marcello and Sammartini Via del Gonfalone 32A (Thur) (687 5952).

NETHERLANDS

Amsterdam, Concertgebouw. Ken-Ichiro Kobayashi conducting the Netherlands Philharmonic with the Contiguglia Piano Duo: Weber, Mendelssohn, Stravinsky (Thur). Recital Hall: David Geringas, baryton, Vladimir Mendelssohn, viola, Emil Klein, cello: Haydn Danzi, Bach (Tue). Jan Sibelius Quartet: Aho, Haydn, Sibelius (Thur). (71 83 45).

The Hague, Philipszaal. The Netherlands Philharmonic under Istvan Parkanyi, violin, with Richard Wolfe, viola, and Ronald Brautigam, piano: Mozart, Hindemith, Atterberg, Mendelssohn (Mon). The Arion Ensemble conducted by Alexandru Lascae: Telemann, Locatelli, Mozart, Arensky, Prokofiev, Shostakovich (Wed). The Schonberg Ensemble and the Hague Percussion Group conducted by Reinbert de Leeuw, with Ariane Arcoja, soprano, and Neil Jenkins, tenor: Henze (Thur). (60 98 10).

Rotterdam, Doelen. Bach organ recital by Arie Keijzer (Mon). The Schonberg Ensemble and the Hague Percussion Group conducted by Reinbert de Leeuw, with Ariane Arcoja, soprano, and Neil Jenkins, tenor: Henze (Wed). (413 24 90).

Utrecht, Vredenburg. Recital Hall. The Ridge String Quartet: Haydn, Bartok, Grieg (Tue). (31 45 44).

Groningen, Oosterpoort. The Schonberg Ensemble and the Hague Percussion Group conducted by Reinbert de Leeuw, with Ariane Arcoja, soprano, and Neil Jenkins, tenor: Henze (Tue). The Ridge String Quartet: Haydn, Bartok, Grieg (Thur). (13 10 44).

NEW YORK

Philadelphia Orchestra. Riccardo Muti conducting with Westminster Choir directed by Joseph Flummerfelt. Mozart, Bruckner, Verdi (Mon). Carnegie Hall (247 7800).

Ivo Pogorelich piano recital. Beethoven, Scriabin, Ravel (Tue). Carnegie Hall (247 7800).

Northern Sinfonia. Barry Tuckwell french horn. Elgar, Holloway, Mozart, Gounod, Haydn (Thur). Carnegie Hall (247 7800).

For the Love of Music. Jeffrey Solow cello, Richard Sortomme violin, David Taylor bass trombone. Shostakovich, Chihara (world premiere), Dvořák (Tue). Merkin Hall (362 8719).

New York Philharmonic. Zubin Mehta conducting, Stravinsky (Tue): Zubin Mehta conducting, Alexander Toradze piano: Rachmaninoff, Stravinsky (Thur). Avery Fisher Hall (874 2424).

WASHINGTON

National Symphony. Mstislav Rostropovich conducting, Eugene Istomin piano, Rossini, Haydn, Brahms (Tue); Sir Neville Marriner conducting, Cecile Licad piano. Mozart, Richard Strauss, Tchaikovsky (Thur). Kennedy Center Concert Hall (254 3776).

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ARTS

Cinema/Nigel Andrews

Sartorial stretcher-cases

Nuts directed by Martin Ritt
Withnail And I directed by Bruce Robinson
Angel Dust directed by Edouard Niermans
Hail! Hail! Rock 'n' Roll directed by Taylor Hackford
Teen Wolf Too directed by Christopher Leitch

An American courtroom in an American film is like nowhere else in the world. Facing the floor: two rabidly histrionic lawyers taking turns to savage the witness or sweet-talk the jury. On the bench: a longsuffering judge. In the witness box: someone breaking down in tears. And in the public seats: the assembled riff-raff of the locality, from reporters to second-cousins-twice-removed of the prisoner, behaving as if the bars have just emptied and they need somewhere to sit and make rhubarbing noises.

All this and more is in *Nuts*. Barbra Streisand, the one-time songstress now turned actress-producer, has bought a creakingly stagy play by Tom Topor and assigned Martin Ritt, of *Sounder*, *Norma Rae* and other major chunks of social earnestness, to direct. She herself has seized the plum main role: a prostitute who murdered her client and is now under pressure to save herself by pleading insane.

But she will not do it. No, she will go down fighting, your honour, rather than do it. "I don't want any more quacks running around inside my head talking about my toilet training," she explains, or rather screams, to her lawyer. And despite appearances that might seem contrary – including demented-pixie grimaces when angered, talking nineteen-to-the-dozen in court and even trying out her hooker's sales pitch on the prosecutor (Robert Webber) – she wants to be tried as if of sound mind. Greybearded Richard Dreyfuss, an actor whose tendency to age ten years with each film becomes with this one understandable, agrees to defend her.

This fearful, overwritten nonsense rollicks and schmaltzes on for two hours. But we have said it before and will say it again: there is no bad human artefact quite as enjoyable as a bad Hollywood film. In the face of the hoop-la your critical reflexes keep going into abeyance, much like judge James Whitmore's legal-procedural reflexes. "This court is less formal than some others," he remarks, shell-shocked but still nonchalant, and indeed it is. If La Streisand's antics are not enough for you, we also have – passing through the witness-box – Maureen Stapleton as her mother, wobbling with emotion like a human blancmange: Karl Malden as Stepdad, all quivering nose and carnation cheeks as he confesses to an evidence-turning spot of child abuse: and Eli Wallach as a sleazy, excitable prison psychiatrist, a man to whom you would not trust your least favourite neurotic aunt.

Of course justice will triumph in the end: in Hollywood it nearly always does. Miss S will be pronounced sane, though not by me. And the murder, seen by us as Miss S recounts it (though not, alas, seen by the jury, who could have saved a deal of time by asking to view the flashback in evidence), supports a plea of self-defence in showing Streisand knifing a semi-psychotic client (Leslie Nielsen). However, the vindication of American justice is hardly the aim of a film like this. Its aim is the vindication of Hollywood over-acting. And brave will be the filmgoer, or cold, who bets his shirt on Streisand not being among the Best Actress nominees on Oscar night next month.

*

While a sane person nearly goes to the wall in *Nuts*, two manifestly insane persons are walking around unmolested in Bruce Robinson's *Withnail And I*. They are Withnail (Richard E. Grant) and "I" (Paul McGann): two struggling young actors. This fitfully exuberant comedy of misanthropy, set in Britain in the dying 1960s, is a sort of anarchic Proust: "La Recherche du Debauchery Perdu," with madeleines replaced by booze, pills and large quantities of low-flying scurrilous wit.

Withnail is a blanched, Byronic dandy whose clothes have died on him and whose eyes are glazed and spectral from drink and drugs: but he still rants up a storm about the follies of others. And "I" is his flatmate: a benign tousle-head who insists that the duo's only psychic salvation, as demoralisation spirals, lies in an immediate weekend in the country. Far from the madding metropolis, they can recover their wits and dry out.

They should be so lucky. Or we should. The movie's heady early blend of bedsitterland Armageddon ("There's a tea-bag growing in the sink!") and off-the-wall aphorism ("Even a stopped clock tells the right time twice a day") is fun. But once out of London, the enlivening beat in our brain turns into something more like a headache. When not closeted with the duo alone, we are treated to an off-colour gay-bashing subplot (Richard Griffiths as Withnail's uncle who swoops lubriciously down on them in their Lakeland cottage) and a few – too few – bright vignettes. Best of these is our heroes' battle with a live chicken, donated for their dinner by a friendly poacher. Throttled to death (offscreen) and then half-plucked, the poor creature is first stuffed upside down into a kettle and then, when that cooking strategy fails, is sat astride a briquette in the stone oven, like a forlorn emperor about to be ceremonially burnt in his new clothes.

Bruce Robinson, former actor (*Private Road*, *The Story Of Adele H*) and screenwriter (*The Killing Fields*), has an ear for trashy wit and an eye for eloquent squalor. (With its unspeakable Himalaya of dirty pots and dishes, the film's early scenes beat *Personal Services* to the Disgusting Movie Kitchen of the Year award). But by the close this first film, like many a first novel, seems too much like processed autobiography: an aimless series of shaggy-chicken anecdotes transported from the film-maker's youth and still running around, sort of, without their heads on.

The hero of the French film *Angel Dust* is even more of a sartorial stretcher-case than Withnail or "I." Sallow, sweaty and ill-shaven, he sports a tramp-like coat and a series of deeply distressed shirts and ties. He is Inspector Blount (Bernard Giraudeau) and things are not going well. His wife (Fanny Cottencon) has left him for one Igor. He is investigating a series of murders whose only clue is a trail of dead rats. And he becomes obsessed with a young waif (Fanny Bastien) who keeps leading him up the garden path: every garden path, that is, except her own.

Bernard Giraudeau in "Angel Dust"

Edouard Niermans's cop thriller has a dark, bleak, dilapidated wit, as if Raymond Chandler had got together with Samuel Beckett and written "The Big Endgame." The marvellous Giraudeau, who looks like Robert Taylor on a hangover, pads through the story as the ultimate *film noir* hero: a man drowning in sardonic self-deprecation while still fighting for truth and justice. The film, like its hero, belongs to a well-known cop thriller school but still springs surprises. Scenes and images keep taking a surreal turn: an after-hours picnic *à deux* in a supermarket aisle, a table violently overturned in a posh restaurant, an old reporter in a rest home bribed for vital information with – boiled sweets.

Hail! Hail! Rock 'n Roll, directed by Taylor Hackford, is two hours of Chuck Berry and his chums whooping it up on the Rock king's 60th birthday. Part concert footage, part interviews with Berry and the chums (Keith Richards, Little Richard, Eric Clapton), it is almost wholly a PR exercise and was co-produced by CB himself. No one is allowed to say anything that might tarnish the image of a happily married, law-abiding roisterer and musical genius. When Chuck's wife is asked if she was married before meeting Chuck, Chuck stops the interview with a few well-chosen off-camera words. He also stops the interview when asked about his own prison record.

Thank goooness that most of the time he just twang his tonsils or guitar-strings. "Roll over, Beethoven," "Nadine," "Sweet Little Sixteen" and the rest hurtle out from the Dolby speakers and cause pleasant minor structural damage to our ears. And when stuck for anything else to do, on the giant stage of the Fox Theatre, St Louis (from which Berry reminds us he was colour-barred as a child), Berry goes down on one ankle and does his famous scissor-skip across the stage. In short, we are seeing a legend in his own lifetime: and woe betide anyone on screen involved in that legend or lifetime who does not hove to and make the right noises.

I shall not specify the right noise to make in response to *Teen Wolf Too*. From the pathetic pun of its title to the puny inventions of its plot, this sequel werewolf comedy badly needs the star of its predecessor, Michael J. Fox. But it has to make do with the producer's son (Jason Bateman) and a cast of giggling unknowns who seem to have been bussed in from the nearest high school. Praise Fox and pass the silver bullets.

The Best of Friends/Apollo

Michael Coveney

Any production that brings John Gielgud back to the stage after an absence of ten years must be a matter for rejoicing. What an incredible figure he is, now 83, still alert and stylish of gesture and movement, waspishly beneficent of mien, melodious of voice.

A few first night hiccups did not dissuade the house from giving him a most tremendous ovation. He plays Sir Sydney Cockerell, director of the Fitzwilliam Museum in Cambridge and literary executor of William Morris, who died in 1962. Hugh Whitemore's play is a skilful arrangement of a three-way correspondence between Cockerell, Bernard Shaw (Ray McAnally) and a remarkable abbess, Laurentia McLachlan (Rosemary Harris), of Stanbrook Abbey in Worcester.

The stiff formality of the exercise does not bode well. Mr Whitemore does not transform his epistolary material in the imaginative manner of Christopher Hampton adapting Laclos, or Shared Experience dramatising Richardson's *Pamela*, both of them novels in letters. Instead he sifts and shuffles, interleaves the correspondents and celebrates the act of letter writing itself.

But there is still more, in that the declamatory, distant relationships among the trio assume a dramatic texture of their own. Cockerell was too interested in many religions to be partial to one. Shaw was a sentimental atheist. Both men were shy of women, both married to wives eventually crippled with illness.

Cockerell first visited Stanbrook in 1907 to inspect a 13th century psalter. He put Shaw on to Dame Laurentia, and the playwright often popped in on his way to and from the nearby Malvern Festival.

The radiant abbess, a formidable intellectual with a special interest in Gregorian chant (rather like the late Marghanita Laski), becomes a fulcrum in the questing lives of two irrepressible unbelievers. This formality assumes a modest physical pattern as the two men draw the curtains on the Dame's election to abbess.

The letters are all new to me. Shaw writes in a style remote from his joshing, cajoling, mock flirtatious assaults on Mrs Pat or Ellen Terry. On his trip to the Holy Land, he lays out a magnificent description of Jerusalem, undercutting his view from the Mount of Olives with "It looks just like Buxton." He is the nun's window on the world.

Similarly, Cockerell takes delight in the abbess's away day to London, plotting the tryst at Paddington and visit to the British Museum to see the Lindisfarne Gospels with the enthusiasm of the born educator (another thing he has in common with Shaw). Gielgud bubbles with pleasure at his plan, and finds a classic tear-laced moment of golden nostalgia when he recalls the 29th anniversary of the outing.

Finally, the play is a memory exercise set in 1961, the year before Cockerell's death. Gielgud thus finds an appropriate sequel to his reminiscent vein so memorable in *Forty Years On* and *Half-Life*. Cockerell is first seen recalling the occasion he met Tolstoy in 1903. He says he keeps his friends in separate boxes.

Shaw died in 1950, Dame Laurentia in 1953. Tapping another great source of his legendary vitality, Gielgud plays the part of a man left behind with not much to do except turn up at memorial services and wonder why the Angel of Death keeps flying overhead.

Also, of course, the famed howler-perpetrator and anecdotalist is exactly the man to inhabit Cockerell's gossipy persona. Forging links with the past is a Gielgud speciality. On Wednesday I sat next to a theatrical producer who remembered meeting Cockerell in company with George Rylands and E M Forster. Gielgud's pre-eminence as a link with a vanished tradition lends his characterisation a special resonance.

But this is far from being a one-man show. Ray McAnally is the best stage Shaw I have seen, the white-haired "chucker-out" of Ayot St Lawrence in tweedy plus fours on crisp and withering form throughout. Miss Harris achieves a transcendental surrogate wife status for both widowed men. James Roose-Evans directs meticulously, and Julia Trevelyan Oman's set is an evocative elision of two male studies and a sunlit retreat.

Alastair Muir

John Gielgud, Rosemary Harris and Ray McAnally

Orpheus in the Underworld/Coliseum

Max Loppert

The deplorable English National Opera production of Offenbach's operetta has returned to the Coliseum, for what seems like an endless run of schedule-filling performances. A cynic might say, watching the whole crass spectacle move along its bloated, creaky course, that the show was mounted with the single aim of bringing in the coach parties and filling the depleted ENO coffers.

It surely could not have been an aim that made any admiring reference to the special qualities of the source material. Offenbach himself started the rot by not leaving alone his explosively tight, small, acerbic original two-act satire (1858) on the ruling class of the day; 16 years later he expanded it for four acts and grand scenic dimensions, and it is the later *Orphée* that houses of Coliseum size generally take up.

Yet seldom can that enlargement of scale have been so little infected with the dangerously hilarious spirit – mordantly socially-critical, exhilarating, essentially nihilistic – of the original. Gerald Scarfe's celebrated sets are indeed ingenious and filled with curious quirks of colour and style that mildly amuse the eye (he has given a new and memorable meaning to the phrase "cloaque infernale"), but they are a show on their own. With unattractive opportunism David Pountney's production is geared to getting them on display, and to Putting On A Show in the television-at-Christmas sense. The real Offenbach doesn't get a look-in. The next step should be to find a way of performing the sets without any music at all to get in the way – a logical progression, I believe, and one that the company should seriously consider.

The cast, part experienced and part new, have to face an uphill struggle to make any impact – and it has to be said that most of them appeared, on Wednesday, to succumb to the line of least resistance. The genuine Offenbach production places its performers and their audience-delighting skills at the forefront of the experience; this one swamps all but the hardiest of them. (A hideous new innovation, the amplification of the spoken dialogue, adds to the depersonalised, un-Offenbachian air that swirls miasma-like around each character and developing situation.) Terry Jenkins's amiably wry Orpheus, Bonaventura Bottone's deliciously zany Mercury (whose sparkly toe-tapping and ornate plastique justly stop the show), and, in one or two lustrous phrases, the new Venus of Janis Kelly place themselves among the few survivors of the cast.

But John Brecknock, though his return to this stage after an absence is very welcome, hardly begins to release the suave, glittery wit of Pluto; and Lesley Garrett's bright-spirited Eurydice is fatally unstylish (she struggled hard, and not always successfully, with the highest reaches of the line). The new conductor is Paul Daniel, a sensitive, intelligent musician wholly out of his depths in Offenbach: rhythms are rigid, phrases choppy. Any conductor of this show is placed in a painfully difficult position – but that's no excuse for funking the music so completely.

Dogs at the Tate

From March 7–25 David Mach will create an installation in the Gallery of New Art at the Tate using hundreds of life-size china dogs. The exhibition, will then run from March 28 -June 26, sponsored by Gerald Metals.

BBC Symphony/Festival Hall

Andrew Clements

Anthony Powers's new orchestral tone poem, *Stone, Water, Stars*, which the BBC Symphony Orchestra and John Pritchard introduced in Wednesday's Festival Hall concert, is intended as an evocation of Venice, the completion of a trilogy of works inspired by the city. The literary title itself suggested further musical concepts – the contrast of symphonic and rhapsodic invention, pre-ordained formal structures – and the result is a six-section, 20-minute piece, alternately slow and fast, with the bell sounds that seem inseparable from any Venetian remembrance cutting across this ground plan.

Powers' heterogeneous pedigree – studies with Nadia Boulanger in Paris, David Blake and Bernard Rands in York – has armed him with an admirable facility and polish. *Stone, Water, Stars* moves elegantly through its paces, gathers itself towards a convincing climax in the final section, and contains many felicitous touches in its scoring. But it does not leave the impression of a positive necessity, nor of a musical language with a personal stamp. The images, effectively simulating chiaroscuro and aqueous reflections, succeed one another with perfect fluency; yet one waits in vain for the clinching gesture, for something to set the work in perspective, to give it real point and purpose.

For the second time in less than a fortnight a new British orchestral work was followed by Walton's Cello Concerto. Alexander Baillie's fine-spun account was rather less sensuous than Yo Yo Ma's in the LSO's Barbican programme; Baillie took his cue from the major-minor ambiguities with which the work opens rather than from the laid-back lyricism of its first solo entry so that the work was consistently shadowed by unease, to which Pritchard's bright-toned, slightly brittle accompaniment added a teasing counterpoint.

It was altogether a concert of luminous scoring and teasing textures of the kind that Pritchard realises so winningly with the BBCSO. He ended with an impressive account of Strauss's *Ein Heldenleben*, managing its feigned nobility and emotional depth with panache, even if he could not achieve the ultimate conjuring trick which this work offers its interpreters, and which only Karajan in my experience can bring off – to convince listeners, at least for its duration, that they are experiencing genuinely great music.

Jenufa/Covent Garden

David Murray

This time round, the Royal Opera *Jenufa* is a plain triumph. Some might observe, grudgingly, that the main elements of the performance are so strong that they would have ensured success for a production far less baldly stylised and Expressionist than Yuri Lyubimov's. I wouldn't be so sure: the perils of picturesque Czech villagery on stage are all too familiar, and what Lyubimov does – and doesn't do – is designed as much to evade deadly quaintness as to score new points. (The severe downplaying of the crucial knife-attack still puzzles me: if your eye is on the surtitles, you miss it.) In any case point-scoring is no longer an issue, for the production is now beautifully played in, and it carries Janácek's music-drama with smooth power.

As before, Ashley Putnam's Jenufa and Eva Randová's Kostelnicka are the heroines of the evening – *not*, praise be, heroine and villainess. This Kostelnicka is not even a hypocrite, still less a theatrical monster: Randová is all grim honesty, utterly and lethally exposed. Miss Putnam's reading of her unlucky stepdaughter has grown to a marvel, abrim with natural feeling and insightful detail. Note, by the by, that in the sort of naturalistic staging some yearn for, Miss Randová's limited range of gesture and Miss Putnam's sophisticated modern bearing might get in the way; here we are allowed to see straight through them to the true characters, and they are memorably moving.

The excellent new Laca is the Dutch tenor Jan Blinkhof, whose brooding sensitivity is complemented by the heroic timbre he finds for the final scenes (fine musicianship, too). With a further hint of pent-up violence he will be impeccable. Arthur Davies still needs more than a hint of the small-town glamour that must attach to his rival Steva, though the nervous evasiveness is right. All the lesser roles are admirably filled, from Elizabeth Bainbridge's staunch Grandmother on down: a special welcome for Anthony Michaels-Moore, who brings the modest part of the Foreman to keen life.

Another happy discovery is the conductor Christian Thielemann. Except perhaps at the over-emphatic ending, the score so nearly seemed to be playing itself – and at full intensity – that one almost forgot he was there: is there higher praise? His incisive faithfulness and sure pacing do Janácek proud. Though Paul Hernon's bare sets suggest subsistence-level peasantry rather than proud village life, they serve Lyubimov's economy perfectly, and I thought Robert Bryan's lighting even more vividly effective than before. Gratitude to all concerned, for a treasurable experience.

Arts Guide

Continued from Page 8

February 12-18

Theatre

LONDON

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair.

Shirley Valentine (Vaudeville). Pauline Collins in fine and funny monodrama by Willy Russell of liberation for a Liverpool housewife on Corfu. Shades of Ibsen's Nora and Beckett's Winnie, with jokes. (836 9987, CC 379 4444)

A Wholly Healthy Glasgow (Royal Court). Scabrously funny new play by Ian Heggie, structurally similar to David Mamet's American Buffalo, but set in a back-alley Glaswegian health club. No simultaneous translation provided. (730 1745).

The Phantom of the Opera (Her Majesty's). Spectacular emotionally nourishing new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Dave Willetts has succeeded Michael Crawford as the Phantom. (839 2244, CC379 6131/240 7200).

Follies (Shaftesbury). Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. Four new songs, improved book by James Goldman. Cast led by Dolores Gray, Julia McKenzie, Diana Rigg, Daniel Massey. All good. (379 5399).

Serious Money (Wyndham's). Transfer from Royal Court of Caryl Churchill's slick City comedy for champagne-swilling yuppies: how the Big Bang led to class tumult and barrow-boy dealings on the Stock Exchange. Hot and livid, but new cast deemed less good. (836 3028, CC 379 6585).

A Small Family Business (Olivier). Brilliant new Alan Ayckbourn play about Britain on the fiddle in greedy times, selling out to foreigners and keeping it simultaneously in the family. A comedy thriller on the large scale. (928 2252).

NEW YORK

Fences (46th Street). August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve their lot but dogged by his own failings. (221-1211).

Cats (Winter Garden). Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and over-blown idea of theatricality. (239 6262).

42nd Street (Majestic). An immodest celebration of the heyday of Broadway in the 1930s incorporates gems from the original film, like Shuffle Off To Buffalo, with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert). The longest running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Phantom of the Opera. The Majestic Theatre, stuffed with the Maria Bjornson gilded sets, rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London. But so hard are tickets to come by that travel companies are advertising packages to London with promises of tickets to see the show there. (239 6200).

Les Miserables (Broadway). Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up silly plot. (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. But it has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor preferably British. (947 0033).

WASHINGTON

Enrico IV (Arena). Pirandello's mystery of the man who imagined himself as Emperor Henry IV of Germany is staged by Zelda Fichandler. (488 3300). Ends Feb 21.

TOKYO

Bunraku (National Theatre) The puppet theatre's greatest writer, Chikamatsu, has been compared with Shakespeare. Of the three Chikamatsu masterpieces in this month's repertoire, one, The Love Suicides of Sonezaki, was first performed in May 1703, only a month after the events it depicts took place. It was the first Japanese play to portray the lives of ordinary people. The incredibly beautiful suicide scene which is the play's climax begins with the famous lines, "Farewell to the world and to the night farewell..." and is bound to bring tears to the eyes as performed by Living National Treasure, Tamao Yoshida, and the other puppet operators. Informative earphone commentary in English. (265 7411) Ends Feb 21.

Kabuki (Kabuki-za) Sugawara Denju Tenarai Kagami (The Secret of Sugawara's Calligraphy). Act 1-3 at 11am; Act 4-6 at 4.30pm. The play is loosely based on the life of a master calligrapher of the ninth century, but its main appeal lies in the character of triplets who are retainers to three deadly rivals and become the victims of divided loyalties. (541 3131) Ends Feb 26.

Hakuhinkan Theatre. Song and Dance 1988. An entertainment featuring two young jazz dancers from the USA, Bryant Baldwin and John Cheeseman, and one from Japan, Ryo Amamiya. Ends Feb 28.

Aoyama Theatre. 35 Steps. A musical revue highlighting past, present and future productions by the Shiki Theatre Company, which is 35 years old this year – from West Side Story to Phantom of the Opera. There is also a rather tiresome tribute to the French chanson. (571 1003) Ends Feb 21.

Saleroom/Antony Thorncroft

Monroe's dear blouse

Marilyn Monroe lives on – at least in the saleroom. Last May Sotheby's sold a rather come hither dress that the actress wore in the film *Bus Stop* for £15,950. Yesterday a black lace blouse from the same 1956 epic made £7,150, double its estimate, to a Patrick Mills of Hertfordshire, who is to give it to his daughter Chantal, an aspiring actress. It is perhaps not the most auspicious totem.

In the same auction of dolls, teddy bears, costumes, etc. . . . a linen nightshirt which King Charles I probably left behind after a visit to Rushbrooke Hall in Suffolk in the 1630s went to the London dealer Spinks for £4,180. There was good museum interest, the Northampton Museum, which not surprisingly has the finest collection of shoes, paying £6,600 for a kid leather slap soled shoe of the mid 17th century and the Museum of London securing a Swan & Edgar beige gaberdine mackintosh of around 1920 fop £220 and a Liberty's green velvet evening coat of the same period for £330.

Top price in the morning session was the £34,100 paid for "Britannia House," a dolls house made in 1986 to raise funds for the African Medical and Research Foundation. The wooden house, 5ft 6ins by 4ft 6ins in size and modelled on a Robert Adam building, was decorated and furnished by leading British interior designers: the dining room, for example, was the work of Dargie Lewis Designs, the library was by Nina Campbell Ltd, the drawing room by Colefax and Fowler, etc. etc. . . The sum raised will go to the charity.

The Japanese have extended their buying of antiques to dolls. A Bru Jeune circle and dot bisque doll, made in France around 1870, along with a trunk of clothes, comfortably beat its estimate at £12,650, to a Tokyo dealer. Among the automata a William Tansley Christy's Minstrals Coin Operated machine, made in England around 1880, was on target at £8,140: each machine took at least five years to make.

Legoland, in Denmark, paid £7,480 for a Kammer and Reinhardt bisque character doll, made in Germany around 1909, while a Leopold Lambert automaton, made in France around 1890, sold for £6,820. The Bethnal Green Museum, which specialises in childhood, paid £352 for a very rum item, a cloth doll, of King Edward VIII, made around 1937 by A.J.K.Farnell.

Christie's fairly routine sale of English furniture went very well, in the morning session at least, with only 11 per cent unsold. The London trade was actively buying, paying £12,100 for a set of nine satinwood dining chairs of the late 19th century and £11,000 for a mahogany demi lune sideboard. Typical of the good interest was a basic George II mahogany bookcase which doubled its estimate at £10,450.

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The risks in tax cuts

IN RESPONSE to the Chancellor's requests for their advice on the forthcoming UK Budget, his advisers can truthfully reply that there is some good news and some bad news.

The good news is that he will have far more revenue at his disposal than previously envisaged. The bad news is that this was not meant to happen. Public finances are supposed to be on an auto-pilot controlled by the medium term financial strategy (MTFS). At the time of the last Budget the Public Sector Borrowing Requirement (PSBR) was forecast at 1 per cent of gross domestic product. But, according to the Green Budget published this week by the Institute for Fiscal Studies, that target would now permit tax cuts for next financial year of as much as £9bn, a level that virtually nobody believes makes sense.

The Chancellor must make a Budget judgment. Worse, that judgment will prove difficult, since the economy is expected to slow in 1988, largely because of an increase in the current account deficit; meanwhile the lagged effect of last year's 4.5 per cent GDP growth on the labour market remains strong.

What should the Chancellor do with all that money? To attempt an answer one needs a benchmark for fiscal neutrality. One approach would be to offset the fiscal stabilisers in a year, like 1988, when growth is expected to be on the long term trend. These stabilisers – the real "fiscal drag" (the tendency for revenue to grow faster than GDP in a progressive tax system) and the falling share of public spending in GDP – have been estimated by Goldman Sachs at £1.5bn to £2bn each. On this basis, fiscal "neutrality" would involve tax "cuts" of £3-4bn, leaving a PSBR of minus £1-2bn or a Public Sector Financial Deficit (PSFD) (which excludes privatisation proceeds) of £3-4bn, less than 1 per cent of GDP.

Health spending

Given the condition of the UK economy, it would be difficult to justify a more expansionary budget. While there is a risk of recession, the long term costs of an increase in inflation are likely to be greater. Furthermore, there are good reasons for supposing that public expenditure – on health, to take a salient example – will be increased during the next autumn review. It is appropriate, therefore, to leave room for such an adjustment.

The question is whether the Budget should be still tighter. The consensus is, indeed, verging towards the view that fiscal policy should be still more restrictive, while monetary policy should be loosened. The aim would be to allow sterling to depreciate, so offsetting the forecast deterioration in the external account.

It is true that consumption is buoyant and likely to remain so. With investment needing to rise and the prospects for external finance uncertain, it can be argued that the Government needs to make a greater contribution to the finance of investment.

Monetary fig-leaf

If the Government is to err, it should certainly be in this direction, but it is important not to overstate the role of fiscal policy. The relation between public sector savings and overall national savings is not very strong. More important, the main current risk is of an upward increase in the underlying rate of pay settlements. Only the clear link between the exchange rate and their firms' profitability is likely to influence the bargainers.

If the exchange rate link were abandoned when at last it can exert some downward pressure, the Government would be left without so much as a monetary fig-leaf. Instead, whenever the combination of downward pressure on the exchange rate and still buoyant domestic monetary conditions emerges, the opportunity to reinforce the credibility of its counter-inflationary strategy by raising interest rates should be welcomed.

A reduction in taxes of some £3-4bn is as much as looks prudent. If the Chancellor wishes to go further, his tax cuts would need to bring clear efficiency gains as well as only a modest expansion of consumption. But, whatever is decided on fiscal policy, the tight link to the D-Mark cannot now be abandoned. The constraint is likely to prove painful. But the UK has enjoyed the good economic news of 1987. 1988 and 1989 are likely to prove the years for the bad news.

Italy's outdated games

THE FALL of Mr Giovanni Goria's Government in Italy after little more than six months in office reflects very badly on the Christian Democratic Party and its leader of the last six years, Mr Ciriaco De Mita.

Mr Goria has thrown in his hand because on around 17 occasions in the last three weeks he has not been able to command the substantial parliamentary majority which should be his. The main responsibility lies with 50-60 members of his own party who have repeatedly joined with the opposition to vote down or amend sections of the 1988 budget.

Their reasons for doing so are difficult to understand, but are intimately connected to Christian Democrat power struggles. Easier to grasp is the wider political and economic damage. The manner of Mr Goria's fall can only increase impatience with the nation's political institutions among a people who are increasingly demanding more efficiency from government. Externally, Italy's image is not helped by the arrival at an important European Community summit of a caretaker prime minister.

Economic uncertainty is deepened by the absence of a 1988 budget whose main task was to grapple with a booming public sector deficit, itself a depressing consequence of four months of political crisis last year.

Neglected deficit

Italian politicians and foreign academics who like to think that the country does not do too badly despite its political weaknesses ought to ponder on this fact: the country is facing a possible economic downturn with real interest rates which are among the highest in the industrial world because of the politically neglected deficit. They could also take a look at a depressed stock market from which the small investor has taken flight because the politicians have failed to organise adequate protection for him.

All this justifies a certain scepticism about the Christian Democratic Party's claim to be the guardian of the national interest after 40 years in government. Mr De Mita has not achieved his aim of cleaning out corruption and curbing the numerous factions. It is clear that the Christian Democrats badly need the discipline imposed by the threat of losing office, which remains an unlikely prospect as long as the only real alternative is a Communist one.

Secret voting

Yet there are some things that Italy could do which might help the system work a little better and ultimately to change it. One is to remove the absurd system of secret voting in the lower house, which has permitted some of Mr Goria's colleagues to support him in public while covertly betraying him. Another would be to modify some of the perfect proportionality in the electoral system. This could prune back the number of parties and allow Italians the possibility of voting for a potential government instead of just equipping the parties for another period of Machiavellian jousting.

Unfortunately, such changes can only be brought about by the politicians themselves. It has pleased them to be seen talking about political reform during the last three months without offering any real promise that they will do anything. How many Gorias have to fall in such ignominious circumstances before they understand the price the country is paying for their outdated games?

Politics Today: The Baker education reforms

Another Great British Muddle

By Joe Rogaly

BRITAIN'S education system is likely to stay in a mess until the end of this century. The Government's attempt to build some rigour into it will certainly not work quickly, and it may never work at all.

The reason is that while almost any minister can get his officials to draft a Great Education Reform Bill ("Gerbil"), it is the devil's own job to have them carry it out. In parliament just about all that the present Secretary of State for Education, Mr Kenneth Baker, has to do is sit there smiling while his party's huge majority does the rest. His Gerbil will scamper through. The task is rather more difficult in the real world outside the House of Commons. There Mr Baker has to persuade the teachers to change their ways of teaching. His staff – the departmental officials – have to do most of the persuading. They are having a hard time doing it.

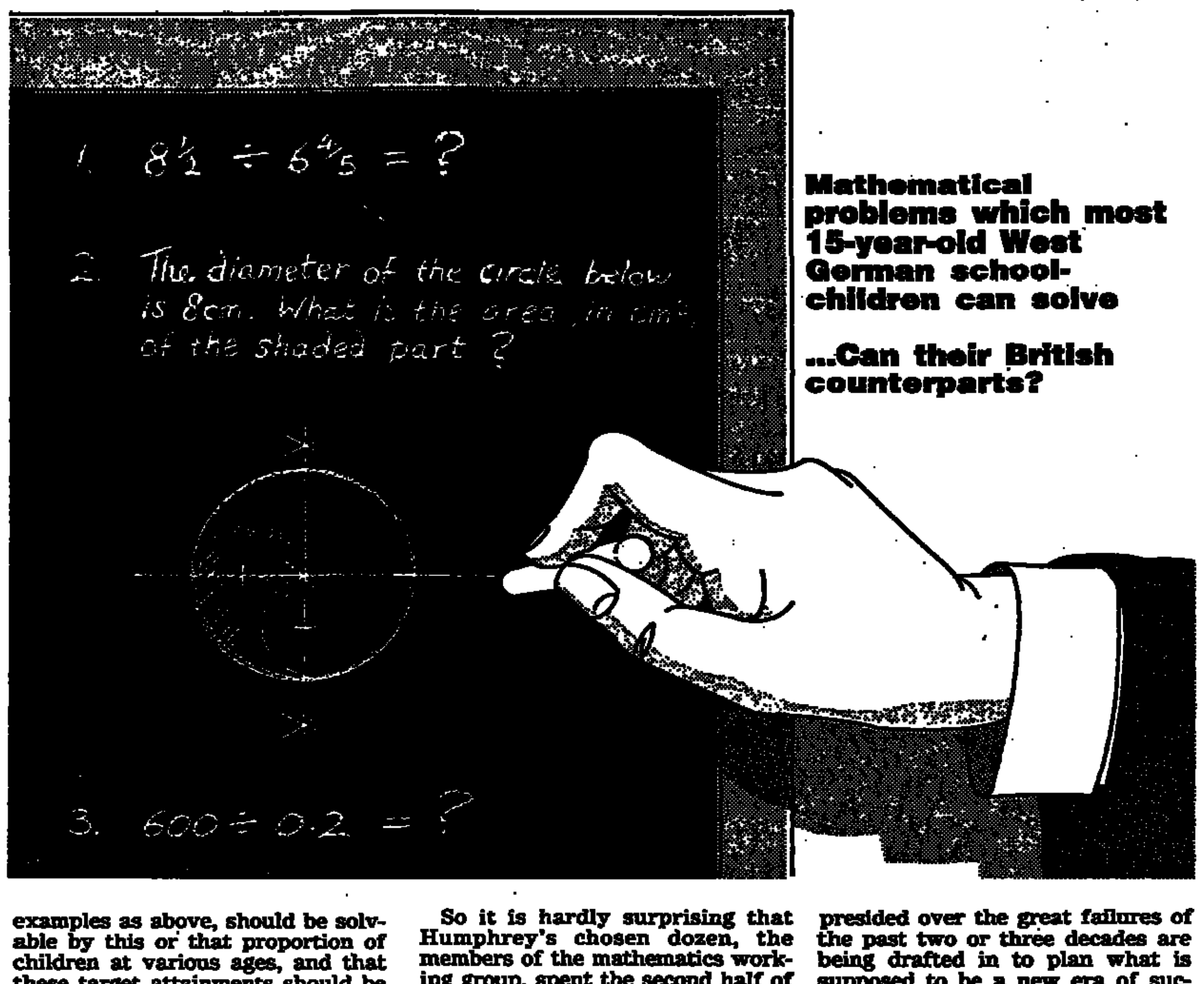
The alarm bell rang last weekend. It was set off by a resignation from an inoffensive little committee whose job is to outline a set of mathematical skills that children of various ages should possess. The man who resigned, Professor Sigbert Prais of the National Institute of Economic and Social Research, came out fighting in a two-fisted article in a Sunday newspaper. "I fear," he wrote, "that the committee is intent on changing absolutely nothing."

Pull at that unassuming-looking thread, and you will find that it is attached to a whole row of cans of worms.

For a start the committee – more properly, the National Curriculum Mathematics Working Group – has so far made a bosh of its job. Mr Baker indicated as much in a letter to the then chairman when it published a woolly and disappointing interim report just before Christmas. But it was the Education Secretary himself who set up the working group last July. Why did he get it so badly wrong? He depended on the advice given by the relevant official at the Department of Education. It is supposed to be unfair to name civil servants below the rank of permanent secretary, so, just for fun, let's call this gentleman Humphrey. Ask around, and you will discover that the names were produced by Humphrey from lists of teachers (provided by Her Majesty's Inspectors of Education, all ex-teachers), education officers and their advisers, eminent mathematicians, and the like.

The result of this "trawl" was a committee on which sat 11 members aligned with a more or less soft approach to the mathematical curriculum, plus Prof Prais. So much for cans of worms number one. Now look at number two: the difference between a hard and a soft approach to maths.

The blackboard in my illustration, compiled from a paper by Prof Prais, gives some idea of a hard approach. Questions 1 and 2 can be answered successfully by about two thirds of the least able 40 per cent of West German schoolchildren aged 15. Question 3 is easy as pie for continental apprentices but not Britain's, according to the professor. He has argued for a precise mathematics curriculum that says that such and such a problem, with



Mathematical problems which most 15-year-old West German schoolchildren can solve

...Can their British counterparts?

examples as above, should be solvable by this or that proportion of children at various ages, and that these target attainments should be tested by the old-fashioned method of sitting the pupils down for an hour or so and letting them get to it. Calculators should not be provided to young children. Our continental and Japanese competitors provide "hard" curricula, but we persist in shrinking from any such thing. Above all, mathematics is a serious business.

The soft approach is quite different. Is it necessary for children to know how to do, say, long division? Calculators may stimulate the imaginations of even eight-year-olds. Children have different levels of ability at different ages. It is better that their work is "assessed" by their teachers than that it be tested by external authorities. As to the Japanese, they do everything so differently that comparisons are invalid. Above all, mathematics must be fun.

What Prof Prais calls the "educational establishment" is overwhelmingly on the side of the soft approach – to the extent that it accepts the need for a national curriculum at all. Yet even that is in doubt. In theory, once the Gerbil becomes law a new National Curriculum Council will lay down what is to be taught, just as its counterparts do in most of continental Europe and Japan. It is a popular policy, as measured by the polls. All the opposition parties support the general idea. There are, however, two snags: (i) the teaching profession remains deeply sceptical about it, and, (ii) most of the civil servants in the Department of Education have made their careers in a world in which you leave the curriculum to the teachers.

So it is hardly surprising that Humphrey's chosen dozen, the members of the mathematics working group, spent the second half of 1987 arguing among themselves. What did the department mean by "attainment?" What was an "objective?" An "aim?" After some weeks of that there was a debate about whether to divide into sub-committees according to age (a hard approach), or subject (a soft one). Three representatives of primary schools then said that they wanted to form their own committee. A new member, soft on calculators, was co-opted. Some members declined to sign the interim report. The chairman, Prof Roger Blin-Stoyle, said the whole thing was taking much more time than he had available. He then resigned.

It would be unfair to intimate that all this was a plot by Humphrey. Even if it was, he would of course have a cast-iron alibi. As chairman, Prof Blin-Stoyle was the first member of the mathematics group to be chosen. His name was on a list with several other potential chairmen, and Mr Baker accepted it after Humphrey and a colleague had personally sounded out all the candidates. The choice was endorsed by the Prime Minister, Mrs Margaret Thatcher; she sits as chairman of the Cabinet's permanent committee on education and every decision passes before her eyes. The other members could not be so closely vetted. They were, however, chosen in the usual way.

There lies the rub. To the Department of Education the "usual way" will naturally produce a membership drawn from the broad stream of educational opinion – the very stream that the Government is trying to divert into a wholly new direction. The people who have presided over the great failures of the past two or three decades are being drafted in to plan what is supposed to be a new era of success. In short, the greatest change in educational practice in British schools this century has to be driven through by a team led by Humphrey – and, however anxious he and his senior colleagues may be to serve a Government in its third term and probably on the way to a fourth, the very nature of their department makes the task almost impossible.

Humphrey must however be given full marks for trying. He has produced a new chairman: a no-nonsense man of the north named Duncan Graham. Mr Graham, who is Chief Executive of Humberside County Council, was until last April the county education officer for Suffolk. When the name was sent in Mr Baker said, in effect: "Humphrey, I trust your judgment totally, but may I have a look at him?" It is thought that they got on like a house on fire. The new chairman left the Secretary beaming in the knowledge that here was a man who understood what had to be done. It seems that while the latter is not a mathematician, what he is undoubtedly good at is getting a committee to produce valid recommendations on time. He is being fully supported by the officials.

The working group has been put under the lash. Its performance is set, time-tabled and monitored. It has been divided into groups A, B, and C – and on to C went the three recalcitrant primary school representatives, plus Prof Prais. He was away on the day that the three were told, in a Kensington hotel, that no meeting-room had been booked for them. (After receiving a dressing-down from Humphrey in the corridor they retired to the bar for their first session). But Group C's initial tasks – all on extra-soft topics like "mathematics across the curriculum," the "gender effect," the "multi-ethnic" dimension and "international comparisons" – could have been designed to drive Prof Prais out. He is not of the temperament required to do battle in such circumstances.

It is too soon to say whether the professor is entirely right. My guess is that Mr Graham will produce a report that sets out to please the hard side by specifying what children of various ages should achieve, while aiming to "bring along" the softs, with talk of "flexibility" and "varying ability" and the like. It might work; if it does not, Mrs Thatcher is there, in the language of the Civil Service, to stop the balls that get past Mr Baker.

But all that is only a part of the long and tortuous task of trying to get British education to accept reform. There are many further cans of worms to follow: the working group's report has to go to the new National Curriculum Council. That has to produce its own refined version which, if accepted by the Prime Minister's education committee, will be turned into a statutory instrument by the Education Secretary. A science curriculum working group is set along the same path. It has so far had a happier history than mathematics. Yet another committee, on assessment and testing, has produced a report that Humphrey would no doubt regard as a beautiful construction, since it simultaneously caters for both hards and softs.

It is in the likely outpouring of "beautiful constructions" that the principal danger to real reform is to be found. For you could say that everything I have described is merely part of the political process – the jollying-along of a reluctant producers' interest towards a more consumer-oriented method of working. The working groups cannot be fixed in advance or they will not command the respect of the profession; their reports cannot be at the extreme end of hard or they will be rejected out of hand. The trouble with this Humphreyesque kind of thinking is that, however laden with goodwill and reasonability it may be, the end of the road could be a Great British Muddle.

Let us say, however, that there is something like a hardish core curriculum in place by the turn of the decade – if not for all subjects, then at least for English (imagine the committee on grammar, yet to be trawled for!), maths and science. These are regarded in Downing Street as of primary importance and they will of course be pushed through, with Humphrey's help. The next step is to finance it all, with a bribe to gain the education establishment's acquiescence, more training for the new-think maths teachers, capital spending on science laboratories, and so forth. The Education Department sees years of phasing-in that stretch through the 1990s. It has yet to confront itself with the likely cost. In short, at least one more generation of half-educated children will be turned out of our schools before there is any serious improvement.

OBSERVER

In praise of Lafontaine

■Oskar Lafontaine, the Chief Minister of the Saarland who has been visiting England this week, is sometimes seen as a kind of dangerous leftie, both inside the federal republic and without.

That view is quite false. The most remarkable thing about him has always seemed to me to be his name. To be called Lafontaine in Germany is unusual enough; to be called Oskar as well looks like good fortune. It sheds a romantic image.

In fact, when it comes to economic policy, Lafontaine is a practical man also very clued up in such matters as the international capital markets. He is a Social Democrat, to be sure, and on the left of the party. Yet one of the people he first admired was Karl Schiller, the West German Economics Minister who introduced the Social Democrats to the social market economy.

Schiller, though he subsequently defected to the conservative Christian Democrats, was probably the best Economics Minister West Germany has ever had after Ludwig Erhard. It was he who introduced the phrase "as much competition as possible, as much planning as necessary" and who brought in the much under-used Growth and Stability Law which allows the Government to move taxes up or down by up to 10 per cent more or less at a stroke.

Lafontaine is trying to keep Schiller's maxims in mind in dealing with the economic problems of the Saarland. Those are pretty horrendous, even by non-German standards. The run-down in the coal and steel industries has been faster and more dramatic than in any other part of the country.

Moreover, as Lafontaine points out, in other areas of Germany – at least until recently – the big companies like Thyssen have had the resources to help cushion the social effects of the decline in employment on the local population. They have supplemented the aid given by the regional authorities. In Saarland there are no big daddies, so the state government has to work on its own.

There is another problem. The Saarland borders on Baden-Wuerttemberg, perhaps the most prosperous area of Europe and still developing. That is where new investment still tends to go – to the land of Daimler-Benz, even though there is a Ford plant in Saarlouis.

Nevertheless, Lafontaine has hardly turned further left in his search for solutions. He heard from the Chief Executive of the Welsh Development Agency in London yesterday that there is an underlying loss of jobs of 8 per cent a year even in a mature economy and almost regardless of what is happening to economic growth. He agreed with the Welsh that it is all a case of attracting small businesses.

Saarbruecken, the capital of Saarland, is twinned with Leicester where Lafontaine has now gone. It is a pity that these semi-official visits do not include places that have more in common with the home base.

"I don't care what the Stock Exchange report says – I never answer the phone if I don't feel like it."

BL's old boys

■Where does life start again after BL (now Rover Group)? For a couple, at least, of its former executives the answer is chemicals.

Applied Chemicals, the Australian-owned group, has made the 58-year-old Ray Horrocks, once the BL Cars chairman, deputy chairman of its UK subsidiary. Also from the "old firm" is Peter Johnson, formerly Austin Rover's UK sales director. Johnson, 40, becomes Applied's UK managing director.

Horrocks, in particular, was almost a UK household name – until the summer before last, that is, when the appointment of Graham Day, the former head of British Shipbuilders, as executive chairman of BL made his role redundant. Johnson stayed on, and is moving directly from Austin Rover to his new job.

Not that Horrocks has been without other links to talk over old times. Since leaving BL he has been a director at Chloride, the batteries group headed by another ex-BL luminary, Sir Michael Edwardes.

Liverpool fat

■A new means of assessing economic recovery may have been discovered by the Government's prototypic Liverpool Task Force – the rate of increase in the girths of the senior civil servants who run it.

David Renshaw, the man in charge, has put on two stone in the last year, while his deputy Dennis Morrison has expanded by about 20lb.

"I've had five good business lunches in the last week," Renshaw says. Apparently would-be developers or bringers of projects and jobs now make a bee-line for the Task Force offices to see if there might be government funds on hand to encourage them into Merseyside rather than anywhere else.

Lunch invitations follow. The rate per week has been steadily rising for some months – almost an economic indicator in its own right.

Marshall's girls

■Third-year science students at Greycoat Hospital, a private girls' school in Westminster, would have given little comfort to Lord Marshall as they showed visitors yesterday how easy it is to manage the national grid.

True, the girls often referred to the manual. But they said they had only been set the task earlier that day.

Their job was to demonstrate one of the experiments aboard a "teaching bus" which was being presented by Sir Philip Jones, Electricity Council chairman, to Baroness Platt, chairman of the Equal Opportunities Commission.

Jones pledged about £100,000 to keep the bus on the road for three years, as the latest WISE (women in science and engineering) teaching bus.

WISE buses travel round British girls' schools introducing the ladies to the marvels of engineering science. They are sponsored jointly by the Commission and the Engineering Council.

According to Baroness Platt, more than 30,000 schoolgirls have already got "hands-on experience" of engineering aboard WISE buses, and the campaign has managed to raise the percentage of women engineering graduates from 7.7 to 10.5 per cent since 1984.

In a remark likely to strike a sympathetic chord in some political circles just now, Jones said the electricity industry had been male-dominated for too long. He saw women as "the major untapped source of potential talent."

Low church joke

■A copy of a pamphlet entitled: "What does the Church of England stand for?" in York Minster had been amended by the ubiquitous graffiti writer who added: "Because there is only one seat and the Pope's in it."

Bridget Bloom looks at New Zealand farmers' problems under Labour's free-market policies

The cost of leading the charge

IS THERE life after subsidies? Farmers the world over are asking this question with increasing urgency as the protectionist farm policies of the rich nations start to crumble under financial pressure.

The arguments at this week's European Community summit; anger at reductions in the key loan rate in the US; complaints in Japan at marginal cuts in rice subsidies – these are all symptoms of this process. Farmers' alarm is likely to mount if such small steps in farm reform lead to bigger ones.

Yet so far there is only one country in the developed world where the question in the opening sentence can be asked with real relevance. Over the last 3½ years, New Zealand's Labour Government has removed virtually every agricultural subsidy and most other forms of special support as part of the deregulation of the economy.

The tiny country – it has only 3.3m people – is putting into practice what others have preached. It is operating the nearest to a free-market system for agriculture of any country in the developed world – a situation greeted with increasing alarm by its farmers and with mounting interest by political and academic observers.

New Zealand's farm subsidies have never been as extensive as those enjoyed by European farmers under the Common Agricultural Policy, or by US and Japanese farmers under their support systems. The Organisation for Economic Co-operation and Development calculates that by 1984, just before Mr David Lange's Labour victory, government transfers to agriculture amounted to 20 per cent of the value of output. But it reckons that the real value of this support, which ranged from direct price subsidies to interest and tax concessions, was lessened by the higher prices farmers had to pay for their inputs because of heavy tariffs on imports and the protection of local manufactures.

Farmers have, of course, suffered as a result of losing most of these subsidies. Worse, farming was an early target in the Lange Government's plans to free the economy from a daunting array of controls accumulated over 30 years by a succession of Liberal (conservative) and Labour governments.

This meant that, at the same time as formal subsidies were removed, farmers were subjected to high interest rates and to an appreciating New Zealand dollar, making their lamb, beef and dairy products much less easy to sell on world markets. Between 3,000 and 6,000 of the total 40,000 farmers are estimated to be at risk of bankruptcy within the next year.

The Government has removed nearly all forms of farm support

In an extraordinary turnabout for a Labour administration, the Government has adopted a strictly non-interventionist approach. Within weeks of the 1984 election, the New Zealand dollar was devalued by 20 per cent and then allowed to float; the financial sector was deregulated and a big effort made, via slashing subsidies and direct taxes, to reduce a huge inherited budget deficit and soaring inflation.

The policy has had some success. The budget deficit has declined from nearly 9 per cent of gross domestic product in 1984 to an estimated 2 per cent this year. Inflation has been reduced from 18 per cent to about 10 per cent. However, the price for farmers has been heavy. Inflation is still higher than that of the country's major trading partners, interest rates have eased only marginally from the 20 to 25 per cent that prevailed last year, while the New Zealand dollar has appreciated against its main trading currencies.

Farming still accounts for some 60 per cent of exports. The NZ$ 1.7bn (£643m) of lamb and beef exports, NZ$ 1.6bn of dairy products and NZ$ 1.3bn of wool exports head the list of products which are dependent on sales in world markets, where prices have been depressed. The price slump for dairy products and meat is partly a result of subsidised exports from the EC and the US.

Farmers are also suffering because of what is called the "sequencing" of the economic reforms. The Government moved much more quickly in removing controls on farming than on areas such as manufacturing, imports or labour; so the cost of farmers' inputs has remained high. This has led some to believe that the Labour Government is intent on singling out the sector, once so comfortable and consequently unpopular with the majority of Labour's town-based voters.

Professor Bruce Ross, a leading agricultural economist and principal of the country's main agricultural college at Lincoln, does not subscribe to such conspiracy theories. But he does believe that the Government's slower pace of reform in other sectors, together with high interest rates and the over-valued dollar, means New Zealand's farming faces one of its most critical years.

The impact of reform has varied. In general, arable farmers, with high capital investment, high running costs and low prices for wheat, are faring worst. Sheep farmers, able to take advantage of rising wool prices or who have diversified, are doing less badly.

In all cases, however, it is the farmer who has borrowed heavily in the last decade, often encouraged to do so by governments keen to step up export volumes, who is now at serious risk of bankruptcy.

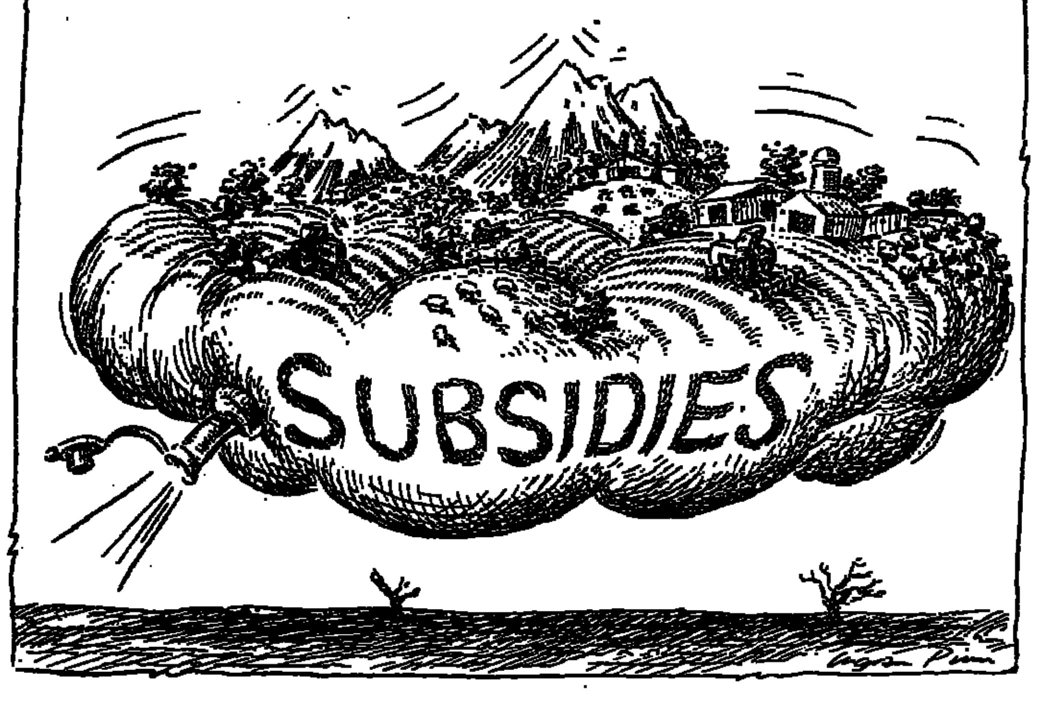
This plight is illustrated by Mr Bill Lee, a graduate of Lincoln College, now in his 30s, married with four children. He bought his remote, run-down 3,500-acre farm in the north of South Island 11 years ago for NZ$ 130,000. Encouraged by subsidised interest rates from the Rural Bank and a government land improvement loan scheme, he borrowed NZ$ 220,000 to improve the farm and its stock of sheep and beef cattle.

He calculated that by now the farm would be producing between NZ$ 160,000 and NZ$ 180,000 in annual income, ample to cover his debt repayments of some NZ$ 30,000 a year. Earlier this month, he received his neatly typed accounts for 1986-7. They showed gross income of NZ$ 100,000 while his debt repayments had climbed to NZ$ 37,000.

His working costs have been cut to the bone, but still amount to NZ$ 40,000. With taxes still to pay, he and his family are trying to live on NZ$ 800 a month.

Two things have so far saved Mr Lee from being forced by his creditors to sell his farm. He has enjoyed a substantial element of subsidy in the rates of interest on most of his loans, while the Government has effectively waived repayments of principal on the land improvement loan because he has been unable to carry out the full plan.

In any case, he fears that, with a 40 per cent drop in land prices over the last four years, he would be unable to sell his farm.



Mr Neil Taylor, director of the Meat and Wool Boards' Economic Service, puts total farming debt at NZ$ 8bn. He believes that 70 per cent of that debt is held by 30 per cent of the country's farmers.

Many have been kept in business through concessionary interest rates or debt restructuring, which has been led by the Rural Bank. If this facility remains available, and especially if interest rates and the dollar were to decline, most would survive.

If things continue as they are, however, Mr Taylor is not alone in believing that the trickle of farm sales could become a flood. There were only about 900 sales in 1987, compared to 1,600 in a "normal" year. Farmers are doing all they can to hang on in the hope of better times.

New Zealand farmers have proved flexible in finding new things to produce and, at least for those not over-borrowed, the process continues.

New varieties of apples are helping to compensate for the decline in kiwi fruit prices; some farmers are making a good living out of rearing deer for venison and the medicinal velvet of their antlers; others are switching from wheat to rye grass seed to sell to the US – and perhaps soon to European farmers required by law to set aside some of their arable land from cereal production.

The Lange Government would argue that diversification and increased efficiency in the production of more traditional crops is the proper way for farmers to go. Many farmers agree. Mr Peter Elworthy, when president of the Federated Farmers union, supported the removal of subsidies in 1984 on the grounds that they distorted market signals, drove land prices too high for young people to be able to enter the industry and made farmers less competitive in world markets.

Today he tempers that support, principally because Mr Roger Douglas, the Finance Minister at the centre of the economic reforms, has failed so far to deliver the lower interest rates and the competitive dollar he promised in return for removing the subsidies.

The farmers may have been naive to give full-hearted support to the reforms, but their dilemma points to a lesson of the New Zealand experiment. As Mr Taylor puts it: "The removal of farm subsidies worldwide obviously makes great sense. The trouble is we are doing it alone, and that's like putting a ball and chain on us and saying – now run the race."

New Zealand's trade officials are praying for progress in the General Agreement on Tariffs and Trade, in Geneva, where negotiators are discussing the multilateral removal of farm support. Meanwhile, the country's indebted farmers are looking for a substantial fall in both interest rates and the New Zealand dollar, so that they will still be there to compete in a freer world market.

Lombard

The fetish of liquidity

By John Plender

IN A MEASURED post-mortem of the stock market crash, the Governor of the Bank of England, Mr Robin Leigh-Pemberton, yesterday remarked that "we cannot discount altogether the possibility that some of our domestic markets, perhaps as a by-product of improved liquidity, globalisation and technological change, have become permanently more volatile".

At first sight it sounds like an unexceptionable comment on the way of the world; and certainly Mr Leigh-Pemberton's conclusion that this may have implications for the capital adequacy of market participants is precisely what one would expect of a central banker.

Other observers may none the less be drawn to more revolutionary trains of thought, namely: what was the point of investing so heavily in making London's already sophisticated financial markets more sophisticated, if the result of Big Bang is simply to cause prices to take a more drunken lurch at the first sign of trouble? Or again: have the British been unwisely seduced by what Keynes called the fetish of liquidity?

When the market was in its bull phase before October 1987, additional liquidity was certainly doing no harm to anyone who wished to raise capital. The question – to which there is no satisfactory quantitative answer – is whether such a high level of dealing was necessary for the market to fulfil its primary function towards industry and commerce. Nor was liquidity doing investors any harm at that point. The problem was rather that the liquidity disappeared – and volatility increased – at the least convenient moment for all concerned.

Perhaps that is putting it a little unkindly. The International Stock Exchange's post-mortem on its own behaviour reveals that the market makers did provide liquidity for a day. On Black Monday, October 19, they appear to have absorbed £250m of investors' sales – a noble gesture. Someone should also erect a monument to the private investors who then provided all the liquidity that permitted the market makers to unwind their bull positions. Whether this turns out to be the private individual's graceful exit from the citadels of capitalism will no doubt emerge in due course.

And let no one say that London has made no contribution to the topical international debate on circuit-breakers. Despite the stock exchange's protestations, many in the City continue to believe that market makers really did refuse to answer the telephones to avoid incurring losses. Darkness is a circuit-breaker, too. According to the stock exchange's own figures, the greater part of the drunken lurch downwards on October 19 and 20 took place after closing time. On Black Monday, the FT-SE 100 Index opened 6 per cent down on the previous Friday's close, and on Terrible Tuesday the index opened 9 per cent down on Monday's close, which accounts for 15 points of the 23 per cent two-day fall. Volatility, it seems, is to a large extent nocturnal.

But to return to where we began: is Britain paying too high a price to a small group of financial folk in the City who are failing to deliver what they promised? Certainly the post-mortems seem likely to revive old arguments about the diversion of scarce talent into the City. And then there is the question of risk. Mr Leigh-Pemberton appears pleased that market makers were able to tap their conglomerate parents for capital during the crash. But the depositors in those conglomerates might be tempted to ask whether they – and the banking system – were not being put at risk. Perhaps the building societies could steal a march by advertising their distance from market making.

Letters to the Editor

A tale of two nations

From Mr Albert W. Jones.

Sir, How long will it be before Mrs Thatcher completes her self-imposed task of creating two nations? The tax burden on this country is now greater than it was nine years ago and yet the wealthiest five per cent of the population now pay a smaller proportion of their income and capital in tax than they did then.

North Sea oil is fast becoming a depleted resource, and yet we have not renewed our century-old sewers nor improved our environment generally. The tax earnings from that vast bonanza have been largely dissipated on out-of-date weapons of destruction. National assets such as gas and telecommunications have been wastefully sold off to those who can afford them. Water, electricity, coal and steel will follow if this government has time.

Now we have the spectacle of Mr Douglas Hurd, the Home Secretary, exhorting parents and teachers to achieve "social cohesion" by teaching their children not to indulge in what he regards as anti-social and disruptive activity.

Where is the social cohesion in a whole government – and most of its advisers – legislating for an education system and health service in which neither they, their children nor their grandchildren participate? No doubt, in an emergency, any of them would accept treatment within the National Health Service, but apart from that they know they can buy themselves out of trouble. It is difficult to teach children "social cohesion" when those who govern do not declare their interest – or lack of it – in matters on which they legislate. The 1986 Education Act and the Local Government Bill are prime examples.

The governors and the governed are becoming increasingly separate. What hope is there of teaching our children that we are one nation?

Albert Jones,
74 Fairdene Road,
Coulsdon, Surrey

Nicosia restored and revitalised

From Miss Lois Jensen.

Sir, "Reconciliation in Davos" (FT, February 3) describes the thawing of relations between Greece and Turkey. It concludes with the statement that this improvement in relations creates both an opportunity and an obligation for third parties to make a new effort in solving the Cyprus problem. It is one of two issues that remains a serious stumbling block in the countries' negotiations.

I would like to call your attention to an innovative effort in technical co-operation between Greek Cypriots and Turkish Cypriots in Cyprus. Under the auspices of the United Nations Development Programme (UNDP), a professional team from both communities has, over the last eight years, developed a master plan for the divided city of Nicosia. Perhaps more importantly, the project has nurtured the kind of dialogue you describe as so important in reconciling long-standing differences. Meeting weekly, architects, sociologists, economists and urban planners from both sides have devised a blueprint for their city to the year 2000. Built into the plan are two scenarios: Nicosia with and without a buffer zone.

Domestic and international funds are being mobilised for a series of investments to restore and revitalise this ancient capital. With help from the US government and the Federal Republic of Germany, restoration and other work is being undertaken in historic – now derelict – residential areas just north and south of the buffer zone.

Your article also states that the UN cannot achieve anything in Cyprus "unless member governments...put their full political weight and diplomatic ingenuity behind (the problem)." The Cypriots themselves have already made a start.

Lois Jensen,
United Nations Development Programme,
1 United Nations Plaza,
New York

There are two kinds of law...

From Mr R.M. Foster.

Sir, The question, recently raised in your columns, about whether there is one law for individuals and another for large central government institutions, was related to action by central banks in the foreign exchange markets, thereby effectively rigging the market. But in the general sense we know that there are indeed two laws.

A couple of examples should suffice. Those who live near airports are subjected to constant increases in air and road traffic without any consideration of their feelings as local inhabitants. Another, more specific example is the construction of the motorway along the North Wales coast, where the inhabitants of Colwyn Bay and other such "retirement" towns now have a four-lane motorway which at peak traffic periods will be a constant intrusion upon their lives; certainly an intrusion into the privacy of those who would wish to enjoy the beach.

No private individual would have been allowed to have created the local disturbance that either of these examples create. But a government (and by this I mean any government) is untouchable when it makes its decisions for its own peculiar reasons.

R.M. Foster,
"Willow Lodge",
Rossmill Lane,
Hale Barns, Cheshire

NHS discussion is bedevilled by innumeracy and laziness

From Mr George Stern.

Sir, There is much wisdom in your editorial about the National Health Service (February 9): as you say, privatisation in the US (and, for that matter, in Switzerland) is observed to increase rather than decrease excessive health spending.

But what really bedevils the whole discussion is the functional innumeracy and extreme laziness of opposition politicians who have simply accepted Mrs Thatcher's assertions that, as she has greatly increased NHS spending, the problem must lie elsewhere than with money. It is open to anyone to go to any large public library and examine back numbers of the Central Statistical Office's Blue Book and Annual Abstract of Statistics.

It is quite true that NHS spending was £9,195m (£9.1bn) in 1979, and £18,719m (£18.7bn) in 1986 – a real increase (using the retail prices index) of 16 per cent, or 2 per cent per year. But it is also true that in 1955, in (the then prime minister) Anthony Eden's day, NHS spending was £569m.

Allowing for the retail prices index, this gives a real increase in spending of 5 per cent per year from 1955 to 1979 – and one which every government has kept to. If anything, Tory governments have a slightly better record than Labour, but every administration has kept to between 4 per cent and 6 per cent increase.

On this basis the natural level of NHS spending in 1986 would be near £23bn. This is amply confirmed by the fact that staffing levels have stayed constant since 1981, in spite of increasing demand – and above all by the fact that our European neighbours run health systems funded, in all but name, from income tax (which is what a salary-related "insurance" deduction amounts to), and spend 50 per cent to 100 per cent more per head than we do. They have a correspondingly far better system.

Politically, Mrs Thatcher would do well to align herself with Conservatives like Eden, Macmillan, Home and Heath, as well as with European leaders like Chirac and Kohl, sweep aside Mr Kinnock's feeble bleats for £1bn extra spending, and announce an immediate £4bn increase, aiming at a German or French-style system, not our degrading poor-house service, by 1990. To start with, she should dismiss her advisers who – like Mr Kinnock – can't do their sums.

George Stern,
6 Eton Court,
Shepherds Hill, N6

From Dr David Bird.

Sir, David Brindle (January 29) poses Chris Ham's view that the NHS has no strategic plan, against Len Peach's, that NHS management is "as good as in any industry." I must lend my support to Chris Ham.

In two years of negotiating with the management side of the Pharmaceutical Whitley Council I have never detected that they hold any strategic view of the future of hospital pharmacy. This is especially so this year; impassive negotiations have centred around the "5 per cent" imposed by the Treasury.

The Nuffield Report on Pharmacy was published in 1986. In general terms it pointed the future direction for hospital pharmacy. The Department of Health and Social Security has still not commented upon it.

Just where is hospital pharmacy going? Into the hands of retail pharmacists – who do not want it? Privatised into the hands of pharmaceutical manufacturers – who might push their own products – or distributors – who have no expertise of interaction with other professionals in a hospital setting? Down the drain – as pharmacists move out of hospitals into retail, where rewards are so much higher?

Alternatively, should not the undoubted skills of hospital pharmacists be developed to make the best use of the powerful drugs now available – *and* keep the lid on the hospital drug bill? We look in vain to Government for any answers to these questions. Mr Peach's NHS Board must take some of the responsibility.

D.A. Bird,
Guild of Hospital Pharmacists,
6 Stanley Street,
Liverpool

FINANCIAL TIMES

Friday February 12 1988

Waldheim under pressure to quit

BY JUDY DEMPSEY IN VIENNA

MR KURT WALDHEIM, the Austrian president, is under increasing pressure to step down but neither of the two main political parties can agree on whether to call for his resignation.

The Socialist Party (SPOE), the senior coalition partner, and the conservative People's Party (OEVP), the junior partner which has steadfastly defended Mr Waldheim until now, accept that Austria would face long-term damage if Mr Waldheim remained in office after the critical findings of a commission of historians about his war record.

Mr Heinz Fischer, the Socialists' parliamentary leader, said the parties should consider taking concrete steps to prevent this problem "burdening all of us any longer."

This is the strongest public statement so far from the SPOE. Earlier in the week, Mr Franz Vranitzky, the Chancellor, said it was up to Mr Waldheim whether he should resign.

It is now common knowledge that the SPOE agrees Mr Waldheim should resign, but the party is unwilling to say so officially because the People's Party has threatened to pull out of the coalition.

However, sections within the OEVP are distancing themselves from Mr Waldheim.

Mr Helmut Kukacka, general secretary of the OEVP, on Tuesday played down the commission's report and staunchly defended Mr Waldheim on the grounds that the report did not find him guilty of war crimes. However, he has now shifted his ground.

"The president's moral authority has been battered by the commission's report," Mr Kukacka told the Kurier, a conservative tabloid which until recently defended Mr Waldheim but has become more critical.

Even Die Presse, the conservative daily, is beginning to waver in its support of the president. It has mentioned possible candidates if Mr Waldheim chose to step down.

Mr Waldheim's most loyal defenders remain adamant that he should stay. Mr Alois Mock, the foreign minister and leader of the OEVP, continues to support him.

Mr Mock had argued that the historians exceeded their mandate. Besides, because the report did not find him guilty of war crimes, resignation is not an issue.

The Kronen Zeitung, a conservative daily which sells 3m copies in a country of 7m people, continues to disparage the report's findings.

It ran a cartoon on Wednesday showing two books being thrown into a dustbin, one of which was the false Hitler diaries published in 1985 by Stern, the West German magazine.

The other book was entitled "Kriegs Dokument" under a Der Spiegel banner which referred to a false Yugoslav document which claimed to implicate Mr Waldheim in the deportation of Yugoslav civilians to concentration camps. The cartoon implied that the Kronen Zeitung was ignoring if not throwing the commission's report into the bin.

Yesterday it ran a banner headline saying that 5,000 Jews wanted to remain in Austria, even though, the paper added, Austria was regarded by the outside world as a land of Nazis.

Andrew Gowers reports from Amman on the weak points of the US proposals

In search of a Mid East peace plan

MR RICHARD Murphy, the US Assistant Secretary of State, jetted between Middle Eastern capitals this week trying to drum up support for another bid to revive the moribund "peace process."

But one of the main figures that Washington is trying to engage – Jordan's King Hussein – was away in Europe, maintaining a studious vagueness about Mr Murphy's mission.

Specifics are probably best avoided. Signs that the US is seriously involving itself in the Arab-Israeli dispute for the first time in five years may have been given a broad welcome on both sides, but Mr Murphy's efforts have raised as many questions as they have answered.

The hastily-produced US suggestions, a partial outline of which was made public by Israeli officials for the first time on Wednesday, are supposed to contain something to please most of the key protagonists.

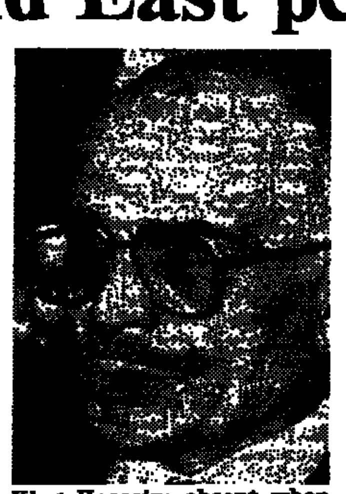
For King Hussein and the Labour side of the Israeli coalition Government, there is the promise of some form of international gathering to relaunch the peace process in April or thereabouts, together with the prospect of negotiations starting in December on the final status of the Israeli-occupied West Bank and Gaza Strip.

Mr Yitzhak Shamir, the Israeli Prime Minister, remains doggedly opposed both to any exchange of territory for peace and to international involvement. To appease him, the US has revived the old idea of initial negotiations on limited autonomy for the Palestinians of the West Bank and Gaza as an interim arrangement, which was originally enshrined in the 1978 Camp David accords between Israel and Egypt.

But here the uncertainties begin. Given that the US proposals amount to a reshuffling of several ideas from failed peace efforts of the past, including the Reagan plan of 1982, they are familiar questions:

● What form of "international

Shimon Peres: insists on a 'ceremonial' conference



King Hussein: absent when the US envoy called

opening" is being proposed? King Hussein has consistently said that he cannot enter talks without a conference involving regional parties and the five permanent members of the UN Security Council. This would give him vital political "cover" to guard against any accusations from elsewhere in the Arab world that any settlement eventually reached is a sell-out.

Mr Shimon Peres, the Israeli Foreign Minister, has accepted that there is no other way to direct talks with Jordan. But he insists that a conference should be purely "ceremonial," while the Jordanians maintain it should have powers to mediate if negotiations are deadlocked.

● What form should interim autonomy take? As President Hosni Mubarak of Egypt made clear on Wednesday, suspicion of this idea on the Arab side runs deep, reflecting memories of the abortive talks following Camp David in which Israel proposed a limited form of municipal self-rule.

More fundamentally, Jordanian officials are aware of the danger that endorsing any form of autonomy might in the end leave them high and dry without a deal involving territory.

● Who is to represent the Palestinians in the talks? The idea now, as before, is that "acceptable" and representative Palestinians (at least tacitly endorsed by the PLO) will be found to join Jordan in a combined delegation. Two months of violent unrest in the occupied territories have left the question of who those people might be further than ever from resolution. It remains unlikely that Israel will allow the proposed municipal elections to provide a genuine answer, given that they would be bound to reveal overwhelming support for the PLO.

Moreover, Jordan and the PLO continue to differ over the terms on which Palestinians would join the delegation, and in particular over acceptance of Security Council resolution 242. According to Mr Marwan Doudin, Jordan's Minister for the Occupied Territories, a recent high-level meeting between the two sides in Amman merely rehearsed this basic difference of principle once again.

● What position will Syria and the Soviet Union adopt? Both countries have the potential to erect insurmountable obstacles to US diplomacy.

The response from Damascus is not encouraging. Syria rejects any arrangements harking back to Camp David and is unlikely to want to participate in anything short of an international conference, with full powers to block a deal if necessary. The Soviets, for their part, will need reassurances from Mr George Shultz, the Secretary of State, when he visits Moscow later this month.

● Is it realistic to expect the US to put its muscle into mediation between the Arabs and the Israelis, especially in the dying months of the Reagan Presidency and the heat of an election campaign? There is no doubt that a major effort – including the exertion of unpopular political pressures on Israel – will be required if anything is to be achieved between now and November.

Jordanian officials such as Mr Doudin would desperately like to believe that the US is again engaged in a serious mediation effort, rather than a hastily-conceived bid to alleviate the pressure on Israel caused by the unrest. But there is no disguising the deep sense of scepticism about Israeli intentions.

These questions are merely the immediate procedural ones, and are quite separate from the seemingly intractable fundamental issues at stake. If there is to be any chance of a negotiation on these, Israel's November election will have to produce a clear-cut decision on the need for territorial compromise. King Hussein will need cast-iron assurances that if Syria cannot be persuaded to participate, it will at least not act as a spoiler.

In the meantime, what is now universally known as "the uprising" in the territories appears to have a momentum of its own. This can only render peace-making more difficult, especially when the people who have been demonstrating are not even indirectly involved in the process.

The Palestinians have achieved in two months of stone-throwing what all Arab rulers have failed to achieve in 20 years of Israeli occupation – sustained international attention. It seems unlikely they will be prepared to quieten down now in anticipation of such uncertain gains.

Maxwell in bid for Australian newspaper group

By Raymond Snoddy in London

MR ROBERT MAXWELL, publisher of Mirror Group Newspapers of the UK, said last night that he had made an offer for the package of Australian newspapers and business magazines owned by the John Fairfax group. It includes the Melbourne Age, one of the country's leading upmarket newspapers.

Any deal could be worth between A$800m (US$569m) and A$1bn (US$711m) and would mark a major international expansion of Mr Maxwell's publishing interests. It would also bring him into competition with his old rival, Mr Rupert Murdoch, whose News Corporation controls about 60 per cent of Australia's main daily press.

"We have made an offer and we are now negotiating on price," Mr Maxwell said last night.

The John Fairfax group became a private company at the end of last year after Mr Warwick Fairfax secured personal control of his family's media business.

Mr Maxwell says the publications he is negotiating for include the Age, the business daily Australian Financial Review, a string of weeklies in Victoria and a number of business magazines such as Business Review Weekly, Triple A and Personal Investment.

"We are very interested in the business magazines," Mr Maxwell said. He is believed to have more than $1bn in cash available for acquisitions following a successful rights issue last year.

Mr Maxwell said he was prepared to fly to Australia next week if he thought a deal was close.

Pearson, publisher of the Financial Times, has also made clear its interest in acquiring the Australian Financial Review.

At the beginning of this month, Fairfax and Mr Robert Holmes à Court's Bell Group abandoned plans for the sale to Bell of the Financial Review and various other Fairfax publications.

Mr Maxwell said he had talks yesterday with Mr Paul Keating, the Australian Treasurer, about the proposed deal.

Insider suspects to face UK extradition

By Clive Wolman in London

PEOPLE accused of insider dealing by foreign countries, in particular the US, will be liable to extradition from the UK under a proposed UK Government amendment to the Criminal Justice Bill announced yesterday.

Mr John Patten, home affairs minister, said the amendment would make all insider dealing offences extraditable when the Bill becomes law.

The original format of the Bill also made possible such a provision, but only after the renegotiation of extradition treaties, country by country. This might have taken several years, Mr Patten said.

The change would, for example, have permitted the arrest and extradition of Mr Nahum Vaskevitch, head of mergers and acquisitions in the London office of the Wall Street securities firm Merrill Lynch.

Mr Vaskevitch was accused by the US Securities and Exchange Commission last March of making more than £2.5m ($4.4m) by insider trading. However, he is no longer in London, having recently returned to Israel, his country of origin.

Under the reciprocity principle of the US-UK treaty, a person in the US accused of insider dealing in the UK will also become liable to extradition in the other direction.

The move comes at a time of increasing pressure on the UK Government to co-operate more with foreign countries in tackling international fraud.

A consultative paper published two months ago by the criminal law team of the Law Commission, the official law reform body, recommended the adoption of a much wider jurisdictional approach to fraud offences.

The Criminal Justice Bill, now passing through Parliament, will make the extradition process easier by allowing people in the UK to be extradited to approved countries without the authorities having to demonstrate a prima facie case to the UK courts. The Bill also redefines extraditable offences to cover all offences punishable by more than 12 months imprisonment.

THE LEX COLUMN

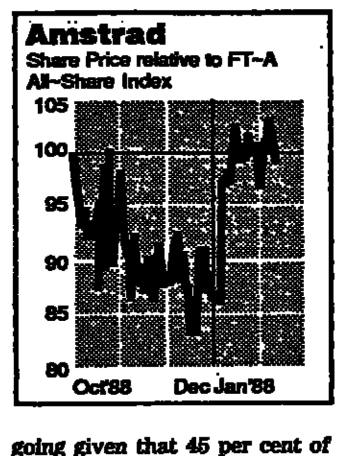
Congratulations from the Bank

If there was ever any doubt that the City establishment was proud of the way that the London Stock Exchange handled itself during the Crash of'87, the Governor of the Bank of England has set the record straight. His post-mortem on the events of last October is laced with compliments about the way the Stock Exchange performed, and while there were some "understandable early hitches", London's new dealing system gets very high marks for the way it acquitted itself in time of crisis. One can almost hear the backslapping and congratulatory messages which are whistling back and forth along Threadneedle Street.

Perhaps the Bank is reserving its criticisms for the real post-mortems which take place behind closed doors. But this is almost certainly not the case. The Governor's speech, and the accompanying analysis in the latest Bank bulletin, paint a picture of a financial system which held up surprisingly well during a period of severe strain. There were no major insolvencies, and, though some firms needed emergency capital injections, the markets continued to operate. In the Bank of England's book, this is what counts.

While the Governor's comments about the way the system behaved during the Crash add little to the sum of knowledge about the events of last October/November, he has tried to throw the debate forward. He is unimpressed by the US interest in "circuit-breakers" and not before time has raised the sensitive question of whether the role of the Stock Exchange account should be reconsidered. What would still be very welcome, though, is a little more disclosure on just how close the system did come to disaster.

Amstrad



No matter how many times Amstrad has doubled in size over its short life, UK institutions still seem to view it as something of a six-month wonder. The belief that the company is only as good as its next mega-product – and its earnings only as secure as the most fickle of electronics consumers – has become something of a market truism.

Not surprisingly, the stock has attracted lots of short term money. Last year it was one of the most actively traded shares on the London Stock Exchange, with over 400 per cent of its market capitalisation turned over in 12 months – not bad going given that 45 per cent of the company stayed put in chairman Alan Sugar's portfolio. It has enjoyed a rating normally reserved only for the also-rans of the industry: its prospective p/e of around 6 reflects a 40 per cent discount to the market average.

Yesterday's half-year results – and more important, the clear and detailed way in which they were presented – could finally help put the share price into better touch with the company's real world prospects. True, pre-tax profits for the half-year rose "only" 26.5 per cent, which does look a bit pale beside the astonishing pace of past years. But quantity is not everything; and the quality of yesterday's figures was of a different order from past results. Earnings grew respectably across the entire product range and in all the important national markets, in mature sectors like VCRs as well as in the still-exciting personal computer market. And evidence that the Amstrad touch is working as well in Europe as in the UK gives grounds for faith in its strategy of European expansion. Mr Sugar's apparent decision to get the analysts on-side also cannot hurt, as the company enters a less precocious phase.

La Générale

On sheer tactics, the Belgian entrepreneur leads the Italian by several laps in the circuitous race for Société Générale de Belgique. If Mr Leysen can get his entire fan club and a few extra friends besides to sign his agreement with Suez, he will have won control without having bought a single share, and without making any promises which might prove hard to keep.

Mr De Benedetti, on the other hand, has invested so much in this battle - both in terms of money and political capital – that he can hardly afford to lose. Indeed his surprise announcement yesterday, that he had nearer 40 than the previously announced 18.6 per cent of the company, shows that he is putting his all into the endgame. Each side is now scrambling for the tiny remaining stake which will decide the outcome. Although Mr Leysen seems to have the advantage, with 50 per cent plus apparently within his grasp, the margin is so slender it would only take one wavering friend to make De Bendetti victorious after all.

If all Leysen's supporters prove solid, the position of de Benedetti as a large minority shareholder would appear untenable. While the plans of the two men for La Générale appear to differ more in degree than in basic outline, the sudden breakdown of negotiations between them suggests that La Générale is not large enough to accommodate both egos. But yesterday's close of Bfr4,850 – up another Bfr350 – shows the market expects more fun from a match which has generated an uninterrupted sucession of surprises from the start.

BOC

If BOC were taken as a simple pointer on how the UK and US economies are faring, its first quarter figures – for the three months since the crash – would look remarkably bullish for both. This is less to do with the 8 per cent rise in pre-tax profits (21 per cent ex-currencies), more a matter of volume of gas sold – up 10 per cent in the UK and almost as much in the US, where there is even talk of a price increase.

But despite the smokestack element in its business, BOC is arguably part lagging indicator, part not recession-prone at all. Sales to big industrial customers are mostly on long-term fixed contracts, and much of the rest goes to defensive sectors like the food industry. It follows that though BOC's capital expenditure comes in the kind of large chunks which are most difficult to sanction in uncertain times, the group professes itself quite satisfied with projects for new gas output now in hand to the tune of several hundred million pounds.

Despite all this, the shares have if anything lost ground relative to the market since the crash, and at 394p are on a prospective multiple of a shade under 10. In view of the heavy dollar exposure, this is perhaps not surprising; but the worse the bear market proves, the more attractive the shares might become.

Lawson lets out no secrets at FT centenary dinner

Continued from Page 1

He was also prepared to let the 700 guests into one Budget secret ahead of March 15.

When the first FT was printed in 1888, the Chancellor at the time, Mr George Goschen – probably now remembered only as the man Lord Randolph Churchill forgot – achieved his overriding objective of cutting the basic rate of income tax from 7 to 6 pence in the pound.

The present Chancellor clearly wants to go in the same direction, but last night he confessed: "Within the privacy of these four walls and strictly off the record, I must warn you that I do not expect to be able to emulate Goschen next month."

Mr Lawson, however, under the watchful eye of the Treasury's top Mandarins, left what he called the "meat in the sandwich" of last night's Centenary addresses to Mr Paul Volcker, the former chairman of the US Federal Reserve.

Mr Volcker used the occasion to urge major industrial countries to heed the warning implicit in last October's share price collapse

In particular, he rejected suggestions that the large trade imbalances between the US, Japan and West Germany could be corrected by a further large devaluation of the dollar.

Lord Blakenham, chairman of the Pearson group which owns the Financial Times, told guests the paper's horizons were "expanding all the time."

"We intend over the next hundred years to move from being 'one of the world's great newspapers' to being 'the world's great newspaper'.

Italy ready again to play the political lottery game

Continued from Page 1

has still not completed its parliamentary passage, which means that government spending remains based on last year's finance legislation.

After the mauling given to the Government's proposals in the lower house, the Camera, this may be no bad thing since unoffical estimates suggest that the 1988 deficit could be as high or even higher than last year's L113,500bn ($91bn).

Mr Giuliano Amato, the Socialist Treasury Minister, said yesterday that the budget was not "approvable" in its present state, by which he meant that he wanted it changed during its third reading in the Senate.

The first flush of crisis speculation focused yesterday on whether Mr Goria's Government could be put back onto its feet so that the budget process could be completed, and then be called upon to resign. At this stage, such masterly improvisation cannot be ruled out, but there would be no guarantee of success for as long as a section of the Christian Democrat Party continues to vote against their own Prime Minister under the cover of secret vote.

The party's leaders issued complaining statements yesterday about being saddled with responsibility for all hostile, covert voting.

The melting of the Government's majority is largely because of the pre-Congress fever which has gripped the Christian Democrat party and revived some of its worst factional features. Mr De Mita is now considering postponing the Congress in the hope of cooling his party down.

However, since many of the hotheads are determined to block Mr De Mita's bid for a fourth two-year term as secretary, Mr Goria's successor may, if he is a Christian Democrat, run into similar ambushes. Unless, that is, Mr De Mita himself takes over as Prime Minister, a task he has always seemed reluctant to assume.

This leaves Mr Giulio Andreotti, the wily Christian Democrat Foreign Minister, as a still solid prospect to become Prime Minister for the sixth time. Unable to sustain the generational change represented by the 44-year-old Mr Goria, and riven by renaissant factionalism, the resort to Mr Andreotti might complete the Christian Democrats', and Italy's, step back into the past.

World Weather

[illegible]

UK Bank chief warns on SE accounts system

Continued from Page 1

quoted by the market-makers, even though most were for volumes of shares much larger than the standard size. This confirmed the restoration of liquidity, Mr Pullman said.

County Natwest had been waiting since October and November to carry out the transactions but, Mr Pullman said, it had been deterred by the prospect of being quoted unfavourable prices as a result of the lack of liquidity following the crash. The bank finally gave the go-ahead three weeks ago after receiving tenders to carry out the deal from three competing securities firms.

The transactions were designed to restructure the UK equity portfolios of the clients so their returns would match those from investing in the entire FT-A All Share index, the broadest measure of the level of the UK stock market.

هكذا من الأصل

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OURSELVES.

The London Financial Guide has so far justified its existence that to-day—under the more concise and dignified title of the Financial Times—it makes its appearance in the character of a daily morning financial paper. This change is to some extent, the result of natural development, whilst in a still larger degree it is the outcome of a widely expressed desire that the arena into which we have stepped should be permanently occupied. As in the case of every other publication, we came to supply a long-felt want, the only difference being that, in this particular instance, such want has been found not only to have a real existence, but to abound in a much greater degree than even we ourselves imagined. The congratulations we have received since the first appearance of the London Financial Guide; the good wishes; the earnest and liberal offers of assistance; the promises of active support; the eager curiosity to discover our personal identity; the consternation already caused in various financial camps; the astounding revelations which are being daily confided to us; the angry threats; the cautious overtures—these and numerous other evidences have satisfied us, more conclusively than ever, that a financial paper for the City of London carrying the banner of Without Fear and Without Favour, will not fail for lack of a *raison d'être*. It is not our intention to draw, or even to suggest, any invidious comparison between our own methods and policy and those of any of our contemporaries. To-day we are concerned only with ourselves. Our attitude, our principles and our programme are summed up in the motto we have quoted, whilst they are elaborated more in detail in the corners of our title-page. This is the field we have entered—and our arrangements have been made with a view to permanent occupation.

THE SOUTHERN RAILWAYS.

TEMPORARY RUPTURE OF NEGOTIATIONS.

It must have been somewhat mortifying to our contemporary, the *Financial News*, to find that the negotiations are broken off. This was within a day or two of the day on which the *News* said that the thing had been "done" the day before. Its next prophecy was that when the agreement did come it would "bear a strong family likeness" to the apochryphal agreement which our contemporary produced on Saturday week as having been "finally settled" on the previous day. One thing that appears to have helped to mislead our contemporary was the idea that the second ten years of the working agreement expired this month, whereas it has yet a whole year to run, ending with February, 1889.

It is no doubt a deep disappointment to all interested that the agreement has not even yet been "finally settled," nor have even the "finishing touches" been put to "the draft," as alleged by the *News*. Nor has our contemporary yet had the satisfaction of seeing even the "family likeness" of which he spoke so very confidently.

What puzzles us is that a financial journalist should write so flippantly on such a subject, and treat it with as much levity as if it were merely the purchase of a house or of a horse. We venture to think that any sum of money in the way of purchasing the rights desired which would be at all likely to satisfy Sir Edward Watkin would be so considerable in amount that the Brighton chairman would not think of consenting, on his own personal and official responsibility, but would be sure to refer the point to his shareholders before finally deciding. It is altogether too large an affair to be settled in that free and easy way in which our contemporary seems to have anticipated that it would be dealt with. He will find it a sore trial to his patience to wait for that "family likeness." Further litigation is at present quite as likely as any settlement.

The difficulty in all such cases is that the weaker party will rarely accept the inexorable logic of facts and give way accordingly. It is an unpleasant process to go through, and men of spirit wince at it. It is easy enough to settle these affairs when you are outside—when you have only to put your ideas on paper; it is the statement of precise terms and conditions, and getting them accepted formally by the other side, that puts a damper on the enthusiasm of the sanguine who attempt to secure a decision. It is not because the arrangement is so very desirable that it is any the more likely to be settled; for the disputants in this case and in the dock discussions are all men of ability, and all anxious to serve first and foremost their own constituents, and this ability and conscientiousness often tend to delay anything in the shape of a final agreement, and prevent the acceptance of an arbitrator with plenary powers, who might put an end to the difficulty. The magnitude and importance of the issues at stake will however prevent the total and final collapse of the negotiations, which are, therefore, sure to be revived, from time to time, till some satisfactory settlement has been arrived at. Already we learn that, as a matter of fact, the negotiations may be resumed any day, which we are glad to believe to be about the actual state of the case at the present moment.

RUSSIA AND FINANCE.

We are all waiting on the tip-toe of an easy expectation for the next move. Markets, as sensitive as the magnetic needle, turn now this way, now that, and there is no rest; speculators hesitate, investors wait for the golden moment which means to them buying in at war prices, and certain manufacturers rub their hands complacently and mentally, saying with Iago that, no matter which suffer, they gain. But pause a little: are we—can we be so certain that they profit and we escape?

It is now 22 years since Prussia and her legions were tramping over the growing crops of Austria, and knocking at the very gates of Vienna. The outer world looked on from a calm and contented distance, and when the white coats gave way, and the House of Hapsburg had to eat the leek, smiled in that which they deemed their happy safety and security. What followed? In four short years those same legions were sweeping over and destroying the rich pasture lands and vineyards of Sunny France, to create for themselves an Empire, and to humiliate and impoverish, as they fondly hoped, beyond immediate redemption their old-time and powerful enemy, and the outcome has been a heritage of uneasy restlessness and increasing anxiety—perpetual scheming meetings of kings and emperors—private treaties—public treaties and secret understandings—strong alliances and weak concessions, resulting in that to-day we stand face to face with a huge and impending European conflagration, from which no human foresight can forsee or foretell who shall escape.

Austria and Germany desire peace, so says the great Chancellor. Italy desires—well, what she desires we will not venture upon here—Italy joins her strength with theirs, and the cry, at all events, is Peace. Germany says Bulgaria! What is Bulgaria to us that we should quarrel with our dear Czar on her account? No, not so much as the bones of one Pomeranian grenadier will we sacrifice on her account, and her Chancellor skilfully endeavours to convince the world that even the famous Berlin Treaty justifies and permits Russian interference for the protection of the Slav races south of the Balkans. "Russia south of the Balkans!" says Austro-Hungary. "Impossible!" And so the game proceeds. Pieces on the chess-table are moved about as if Germany, Austria, and Italy were the only States interested, or likely to be involved.

What all this time becomes of Turkey? Is the sick man so sick that he ceases to be accounted a factor in the situation? And Russia once South of the Balkans, and Turkey fighting for her existence, what will the rest of Europe—to say nothing of ourselves—be doing?

Truly, Russia is at this moment the barometer of finance, and it is in that direction we must look for the indications of fair or stormy weather. Our fears are great and many, our hopes are small and few.

THE LION FIRE INSURANCE COMPANY.

The accounts show a premium income of 179,000*l*, other receipts 6,000*l*, total income 186,000*l*. The losses amount to 176,000*l*, or 65 per cent. of the premium income, as against 61 per cent. for last year. The expenses of management exclusive of commission stand at 13 per cent., the same as last year. The Directors have been able to conclude the liquidation of the French branch by means of 9,843*l* taken from the General Fund added to the balance of 4,000*l*, which exhausted the Special Reserve. The Revenue Account shows a credit balance of 10,000*l*, which will give a 5 per cent. dividend, and carry forward 4,000*l* to the General Reserve Fund, which will now amount to 91,000*l*—a reduction of 1,000*l* as compared with last year.

THE CROWN PRINCE.

What is to be the result of the very serious operation which has been performed on the throat of the Crown Prince of Prussia? This is not a mere question of ordinary politics, but one which vitally affects the peace and prosperity of Europe. It is not merely that the Crown Prince is the son of our ally, the Emperor of Germany, and the husband of England's eldest daughter, but he is a Prince of pacific tendencies, though not less a soldier than the rest of the Brandenburgers. The operation only took ten minutes to perform, and yet the fee paid to the surgeon, if revealed, would, no doubt, excite as much envy as the "guinea per minute" fee did the other day. The Prince, we are told, felt no pain and he experienced no inconvenience, but ate well and slept well; and, as others have survived the operation for many years, and performed with comfort all the duties of life, we are warranted in hoping for the best as to the Crown Prince, with every advantage of physical constitution and of the highest medical and surgical skill at his command. There is said to be a porter at the Throat Hospital in Golden-square who has used an artificial breathing apparatus for years, with no more inconvenience than arises from artificial teeth. But—there is always a "but" in these cases—bronchitis or laryngitis are possible, and therefore we cannot yet feel free from anxiety. We have artificial eyes and teeth, arms and legs—why despair of an artificial breathway? The Crown Prince's voice will be a little hoarse, and his pipe will probably have to be laid aside. Beyond that, and the morbid feeling which sometimes detracts from the satisfaction afforded by these mechanical supplements to nature, the Crown Prince will be pretty much as other men and, for the sake of his family, and for the sake of peace and confidence in Europe, we trust he may be spared for many years to come.

SPECULATION IN COPPER.

A decision was given in the Lord Mayor's Court last week which will be found useful during the present state of the copper market. The defendant in October last contracted to deliver on the 10th of December 25 tons of copper at 41*l* 5s per ton. When the 10th of December came, the defendant could not deliver, as the price had in the interim gone up to 71*l* 5s. The Court ordered the defendant to pay the difference, 771*l*. The case, as stated in the only report we have seen, is so clear that it seems strange that it was ever taken into Court. But the decision will, no doubt, govern other cases, which are tolerably certain to arise, and in that respect will be very useful in saving others from "going to law."

EUROPEAN AND AMERICAN MACHINE MADE BOTTLE COMPANY, LIMITED.

This company asks for a capital of 600,000*l*, in 120,000 shares of 5*l* each, to purchase the foreign and colonial patents for Ashley's machinery for making glass bottles and other glass hollow ware. The lists will open to-day, and close on the 18th inst. for town and country. A large number of the shares have already been applied for. A good business is evidently open to the company whenever and wherever it sets up its machinery to compete with the old hand process, since two men and two boys with one of these machines will, it is stated, turn out about 80 gross of bottles a day, as compared with eight gross as the produce of two men and three boys by the hand process. The patents purchased by this company will include a couple of dozen Colonies and Continental countries. It is not like a case of comparatively equal competing systems, but the margin of difference between hand labour and machinery is, in this case, so great that the machine must triumph, and bottle manufacturers must adopt it, or let their business drift rapidly into other hands. If they pay only 8d. per gross royalty — which is much less than the royalty proposed to be charged by the company which has purchased the English patents—the revenue derived by the company will amount to 400,000*l*, or a dividend of 65 per cent. on the entire capital. The vendors offer to take the purchase money in fully paid up shares of the company, which indicates their confidence in its certainty of success. 100,000*l* of the present issue is to be reserved for working capital. The price paid is 500,000*l* for the patent rights in all countries in the world in which patents are obtainable, except Great Britain and Ireland, "payable either in cash or cash and shares, at the option of the directors." The machine produces the bottles at one-tenth the cost of hand-made bottles, so that competition is out of the question. The machine-made article will, therefore, monopolise the bottle industry of the future.

THE MIDLAND RAILWAY REPORT.

The traffic for the half-year ending Dec. 31 was 67,000*l* over the corresponding half of the previous year. The gross receipts were 3,878,812*l*, less working expenses equal to 53¼ per cent., leaving 1,883,785*l* available for dividend. From this balance the directors recommend the declaration of the following dividends (less income tax), payable on and after the 25th day of February inst.:—2*l* 12s 6d on each 100*l* consolidated ordinary stock; 2*l* on each 100*l* four per cent. consolidated perpetual guaranteed preferential stock; 2*l* on each 100*l* four per cent. consolidated perpetual preference stock, unregistered stock of 1883; and such of the 11*l* shares as have not yet been consolidated, leaving a balance of 52,092*l* 4s 7d to be carried to the account of the current half-year.

With reference to the Hull and Barnsley arrangement the Directors speak as follows: Negotiations were opened with the Hull, Barnsley, and West Junction Railway and Dock Company in November last for an agreement under which the undertaking of that Company might be worked by the Midland Company on terms which would be mutually beneficial. Although no arrangement has yet been concluded, considerable progress has been made in the negotiations, and the directors will ask the proprietors to indicate, by approving the Bill promoted by the two companies to authorise a working agreement, that they sanction the policy which has been adopted. The agreement when concluded will be submitted to the proprietors for their approval at a subsequent meeting. The chief provisions contained in the company's Bill are stated in the circular convening the special meeting.

We learn from private sources that the shareholders are likely to adopt the course indicated in the report, and that the arrangement will be carried through successfully. At a festive gathering of the Midland people, it is stated that a toast to the success of the Hull and Barnsley scheme was drunk with great enthusiasm.

We shall hear more about it on the 17th inst., which is the date fixed for the half-yearly meeting of the Hull and Barnsley, and the arrangement will naturally be the chief topic of discussion.

GREAT NORTHERN RAILWAY.

We have received the Directors' report of the Great Northern Railway in anticipation of the 83rd half-yearly meeting to be held on Wednesday next. It states the Share and Loan Capital is 36,367,000*l*, consisting of 13,000,000*l* each of the Original and Preference Stocks, and 9,000,000*l* of Debenture Stock. The expenditure of the half-year was 120,000*l*, which allows 107,000*l* for lines and works open for traffic, 19,000*l* for lines and works in progress, and 25,000*l* for working stock. The proprietors will be asked to sanction the expenditure of 61,000*l* for land and works, and 42,000*l* for additional rolling stock, making 104,102*l*, of which particulars are given in the report. One of the items is 520*l* for the electric lighting of carriages. The directors are not promoting any Bill in the present session, but the meeting will have to consider the Forth Bridge Bill, and the Bill of the Manchester, Sheffield and Lincolnshire Railway Company, both of which affect the Great Northern interests. The meeting will also be asked to sanction the creation of the additional capital authorised by the proprietors, to provide for future works. There are several other measures promoted by other Companies affecting the Great Northern's interests' particulars of which will be placed before the shareholders at this meeting. The gross receipts of 1887 show an improvement on 1886, and after deducting the expenditure leave a balance on the Revenue Account of 926,000*l*, which, after deducting interest, fixed charges credits, and preference dividends, leaves a net balance available for dividend on the Ordinary Stock of 383,766*l*, as compared with 369,085*l* in 1886.

After providing for all fixed charges, the net balance of 383,766*l* 1s 7d will enable the proprietors to declare a dividend at the rate of 5*l* 15s per cent. per annum on the original stock, making for the half-year—

2*l* 17 6 per cent. on the Original Stock.
2*l* 0 0 " " "B"
2*l* 15 0 " " "A"

and the Total Dividend on the Stocks for the year 1887—

4*l* 7 6 per cent. on the Original Stock.
4*l* 0 0 " " "B"
2*l* 15 0 " " "A"

leaving a Balance of 4,177 18s 1d to be carried forward.

The passenger traffic has fallen off 23,000*l* owing to the absence of any special attractions, such as the Colonial and Indian Exhibition, so that although the local passengers have increased 150,000, there is a net loss in the total numbers of 50,000. The relative proportions of the classes remain as in 1886. The receipts from season tickets continue to progress satisfactorily. The replacement in iron of the timber roof over the King's-cross departure platform has been completed.

WELSH GOLD MINING.

After the grand flourish in the *Times* over a few pounds of ore crushed in the presence of certain notable personages, and realising an unusual number of ounces to the ton; and after the various statements as to the quality of the 2,500 tons of gold ore said to be on the dumps, the public will scarcely be prepared for the announcement in the *Mining Journal* that the "mill has been in active operation mostly on the crushing of the poorest quartz, whilst the tables are being accordingly arranged." We could have understood this if it had started on poor ore, but to put a few pounds of the very richest ore through the mill at its first starting when the tables are not accurately arranged, and then to follow with poor stuff, is contrary to all the principles of sound metallurgy.

As Mr. Pritchard Morgan was so ready in publishing the particulars of the first crushing, why does he not give the particulars of this poor ore?

We have heard it whispered that the bunch of rich stuff was a narrow seam in the lode, and that the other part of the lode outside this narrow seam showed scarcely any of the precious metal. This is exactly what has happened heretofore in the Welsh Gold Mines, and the present mill workings would seem to confirm it.

It is said there are 2,500 tons of ore on the dumps. Now that the poor ore has been passed through the mill and all cracks, &c., filled up, let 2,000 tons of this be milled, and the average obtained; then and not till then can any fair judgment be formed as to whether the Welsh Gold Mines are to be an Eldoradoor a flash in the pan.

LONDON GENERAL OMNIBUS COMPANY.

What would have happened to London at this day if her carrying power had remained as it was 50 years back it is dreadful to contemplate. The London General Omnibus Company is but one means of locomotion out of many, and yet we are told they have carried during last year upwards of four million passengers in excess of the number carried inthe previous year. The directors declare a 10 per cent. dividend, and carry a goodly sum to reserve.

THE PORT OF LONDON.

With rival and competing and struggling Dock Companies on the one hand and a dull and depressed trade on the other, the poor port of London has as much as it can do to hold its own and make even a decently respectable appearance. Rumour, however, is busy with hopeful promises of settled disputes and revival, and we should not be very much surprised to see a great and rapid change take place at a not very distant day; we therefore recommend shareholders in the various Dock Companies to hold on and struggle through the present crisis, and not, as so many weak-kneed investorsdo, sell in a falling market only to buy in again at an advanced price.

OUR LETTER BOX.

***We do not hold ourselves responsible for the statements or the opinions of our Correspondents.

THE METROPOLITAN DISTRICT RAILWAY.

To the Editor of the Financial Times.

Sir,—"Not only is the prospect of any dividend on the Preference Stock futile, but there will be over 9,000*l* wanted to satisfy the rent charges and interest upon the various debenture and guaranteed stocks, &c., which come as first charges upon the net profits."

The first of your "Editorial Notes" of to-day, quoting the above as the result of a correspondent's analysis of the figures of this company for the past half-year, is of a most depressing character, and, if correct, ought to incite shareholders to look out for themselves, and inaugurate a policy independent of, and unbiassed by, any advice or action of the present directors, whose removal from office I am now convinced is the initial and imperative step in the direction of prosperity, unless, indeed, the evil be not too deep-seated to be removed by any change in administration, which some stockholders think, and who in disgust have abandoned any further study of the matter. Although I have written of your correspondent's figures "if correct," I fear there is no ground for doubting their accuracy. That sensitive financial barometer, the Money Market, must have been influenced by icy currents, to record a fall of no less than 4 per cent. in the Ordinary Stock of this Company since the 11th January last. The published receipts for the current year, from 1st January, show a decrease of about 3,400*l* over the corresponding period of last year, and this without any interfering element such as Exhibition Traffic to affect the figures, which simply represent normal receipts. This accelerated rate of decrease — more than 600*l* per week in the current half-year—in addition to the results shown by your correspondent's figures for the past half-year, seems fast tending to realise the quotation of what has not inaptly been termed a "rubbish price" for the Ordinary Stock of this Company—say about 6, as representing its true actual value. I think this was the view of an "Expert" writing in *Truth*, some time back, and his essay was quoted in a circular issued to the shareholders of the District Company about this time last year. Mr. Forbes pooh-poohed the idea as nonsense, and there appeared in one of the railway papers, always well affected towards that gentleman's projects, a lengthy and elaborate leader, winding through many involved figures and arguments to the conclusion that if there was any one form of investment for surplus capital superior to another, that one was indubitably the Ordinary Stock of the District Railway.

It is the want of cohesion among shareholders which prevents any efficient step being taken in the right direction. They have had sound practical advice *ad nauseam*. Once more I collate it thus:—

1. Oppose the re-election of the chairman and directors at the ensuing general meeting.

2. Demand the resignation of the whole of the present board and manager.

3. Call a special general meeting to appoint a committee of investigation and inquiry into the whole of the affairs, accounts, and books of the company.

If this will not effect the desired object, nothing will meet the case but the *Edax Rerum*, a remedy of which we have recently heard something in another and more amusing connection. Yes. *Tempus Edax Rerum*—Time, the devourer of all things—will, of course, include the District Railway Company; but is it worthy or creditable for men of business capacity and healthy brains to let things slide, leaving them to the action of Time, when a little well-directed energy and patience might secure at least some little salvage even from this financial wreck.—I am, sir, your obedient servant,

Feb. 8, 1888. SAPERE AUDE.

LATEST SHIPPING NEWS.

Telegram from Lloyd's agent at Sierra Leone states:—Maine et Loire, before reported wrecked Banana Island, will break up if bad weather sets in.

Lloyd's agent at Rio Grande telegraphs that the Smut, Norwegian brigantine, from Richmond for Pelotas with flour, has gone ashore and will probably be a total wreck. All hands safe.

Telegram from Lloyd's agent at Gallipoli, dated February 11th, states:—British steamer Arch Druid, Kustendje for England, barley, is aground near Dianaslau; moderate weather.

British steamer Queen, arrived at Bremerhaven January 10th from Galveston, reports that whilst at sea a fire broke out on board; goods in after hold, about 30 bales cotton, damaged by fire and water, but to what extent is not yet known.

Lloyd's agent at Shields telegraphs that the Zingari, s, light, came into collision on Thursday with the Spanish steamer Yurre, from Bilbao, loaded with iron ore, cutting the latter down to the water's edge. The former only received very slight damage. It was with difficulty that the Yurre was kept afloat.

Cablegram from Lloyd's agent at Philadelphia states:—United States barque Mascotte from Pernambuco, with sugar, is ashore below breakwater. Assistance has been sent. Later:—Mascotte is listed seawards, and is full of water, with the sea sweeping completely over her.

Lloyd's agent at Calcutta telegraphs February 11th, at 3.5 p.m.: "Rewa and Java, steamers belonging to the British India Steam Navigation Company, have been in collision at Atcheepore. The former is uninjured, the latter damaged above the water line.

Lloyd's agent at Sebastopol telegraphs that the Rora, s, of Odessa, went ashore on the rocks between Jarchancoot and Achmetchet, at 3 a.m., on Thursday, and has ten feet of water in her hold. Weather very stormy. Passengers and crew saved. The master telegraphs:—"Help is very difficult; damage great; forehold and engine-room full of water. Weather very bad. Send Flora to Achmetchet to fetch the crew, who suffer terribly from extreme cold. If the present weather continues the steamer will become a total wreck."

SCRAPS.

The annual report of the directors of the Swan United Electric Light Company, Limited, for the year ending September 30, 1887, states that the business has grown, and has resulted, after paying all current charges and making fair allowance for depreciation of plant and machinery, in leaving a sum of 7,554*l*, which the directors recommend shall be applied to the writing off of 5,834*l*, the amount which stands against profit and loss, carrying forward 1,720*l*. The directors have resumed negotiations with the Compagnie Continentale Edison, with a view of arriving at an equitable settlement in the countries in which they hold patents in connection with electric lamps. Should these negotiations result in any plan which the directors regard as beneficial for the company, they will call a special meeting of the shareholders. In their report the directors stated that they were led to believe that a decision in the patent suit would shortly be given by the judges in the Court in Berlin. The case has dragged on during the year, but judgment has not yet been delivered.

The directors of the Bank of England have appointed Mr. Francis Richard Gibson to be one of their cashiers. He is also empowered to sign bills and notes on their behalf.

The Kursk-Charkow-Azow Railway Company has issued a circular with reference to the conversion of the 1,760,000*l* Five per Cent. bonds issued by them in 1872 into Four per Cent. bonds. The Russian Government has consented that the bonds, which are subject to income-tax, should be converted into Four per Cent. bonds, exempt from income-tax, with a *minimum* amortisation fund of 0.311 per cent., instead of 1-12th per cent. as hitherto, and that for the interest and amortisation the new bonds should have the absolute guarantee of the Government. The bonds may be presented any day between the 14th and 24th of February, at Amsterdam to Messrs. Lippmann, Rosenthal, and Co., and Messrs. Wertheim and Gompertz; at Berlin, to the Berliner Handels-Gesellschaft, and Messrs. F. W. Krause and Co., Bankgeschaft; and in London to Messrs. C. I. Hambro and Son. The conversion will be effected in accordance with the conditions to be published by the above-named firms. On presentation of the old bonds for conversion the holders will receive a cash bonus of 5*l* per 100*l* stock on the nominal amount of bonds converted.

Messrs. Smith, Payne, and Smiths announce that they are authorised to receive subscriptions for 75,000*l* Five per Cent. Mortgage Debenture Bonds of Dewars and Bournes (Limited). They are redeemable at the option of the company after five years at the price of 105*l*. The debentures will, it is stated, be secured by a charge upon the whole property and undertaking of the company, and will rank immediately after the first issue of 30,000*l* debentures, a portion of which has fallen due and been paid off.

The directors of the Freshwater, Yarmouth and Newport Railway Company (Isle of Wight) invite subscriptions for 19,100*l* Five per Cent. Perpetual Preference shares in 1,910 shares of 10*l* each, being the balance of unissued capital.

We believe some allotment letters of the new South-Eastern Ordinary Stock have been received. The total amount is about 500,000*l*, and it is offered to holders of existing Ordinary, it is reported, at the rate of about 10*l* new for every 200*l* of old. The price is 110 per cent., and the stock bears interest at the rate of 3½ per cent. per annum till January 1, 1894, when it ranks with the existing Ordinary. 60 per cent. of the price is payable March 1, 25 on September 1, and the remaining 25 on March 1, 1889. The market appears to think the price too high, and the new stock has consequently been offered at par.

Sir James Caird states that in the prospectus of the Lake Copais Company an unauthorised use of his name has been made, which appears to imply his approval of the speculation. Sir James Caird has no personal knowledge of the undertaking, and has no interest in it.

The main provisions of the Bill of which Mr. E. Spencer has given notice, dealing with bank audits, will propose to render it compulsory on private banking companies to produce an annual balance-sheet, whenever this is formally demanded by a certain number of the depositors, to be fixed by the Bill.

It is announced that in consequence of a sufficient number of shares not having been deposited in advance, as provided by Article 31 of the statutes, the annual general meeting of the Credit Foncier of Egypt convoked for the 31st ult. could not be held, and that a new meeting has been convoked for the 10th prox. The meeting will be held at the offices at Cairo.

The English Association of American Bond and Shareholders' (Limited) announce that they will receive the shares of the Louisville and Nashville Railroad Company for registration in the name of the association or in the name of the true owner, for collection of the stock dividend.

The National Bank of New Zealand (Limited), of Old Broad-street, will pay the half-year's interest due on the 28th inst. on the Wellington Harbour Board Six per Cent. Loans of 30,000*l* and 31,000*l*, and the Four-and-a-Half per Cent. Loan of 100,000*l*.

Subscriptions are invited by the Royal Exchange Bank, Limited, 126, Cannon-street, for an issue of 650,000*l* bonds, bearing 6 per cent. interest, of the Province of La Rioja, Argentine Republic. The bonds are of 1,000*l*, 500*l*, 100*l*, and 20*l* each, and the issue price is 92 per cent. The principal, it is stated, is repayable in 1922 by an annual accumulative sinking fund of 1 per cent., to be applied by annual drawings at par, unless previously redeemed by increase of the sinking fund. The principal and interest are payable free of all national or provincial taxes. It is stated that the loan is issued under the authority of the law sanctioned by the province, which provides that the proceeds shall be applied to establish a national bank in that province, in accordance with the provisions of the general law of the Argentine Republic relating to guaranteed banks.

Messrs. Vivian, Gray and Co., offer for subscription 2,500,000 dols. Norfolk and Western Railroad Five per Cent. Bonds at the price of 98*l* per 100*l*, or 196*l* per 1,000 dols., of which 20*l* per cent. is payable on application and 176*l* on allotment. The bonds are said to be secured on the Clinch Valley Division of the railway, and a further amount of 825,000 dols. may be issued on completed lateral or branch works.

Paul Betts reports on the latest frenetic moves in the takeover battle for La Générale

Suez and Gevaert play the Belgian card

MR CARLO De Benedetti has suffered a serious reverse in his campaign to gain control of Société Générale de Belgique, Belgium's biggest industrial and financial holding company.

During the nights of Wednesday and Thursday, after a day of hectic negotiations, Compagnie Financière de Suez, the French privatised financial group, reached an agreement with Mr André Leysen, the Flemish businessman who has become the central figure in the epic takeover battle for La Générale.

Between them, Mr Leysen and Suez claim to control about 43 per cent of La Générale. But if the other "friends" of the Belgian company are added, including France's Compagnie Générale d'Electricité (CGE) and Lazard, the Leysen-Suez combination say they hold about 60 per cent.

The battle though is by no means over. Mr Patrick Ponsolle, one of Suez' managing directors, remarked a few hours before Suez struck its deal with Mr Leysen: "We are confident but not triumphant."

In fact there were increasing doubts last night whether the agreement in principle would be signed today. A number of Belgian allies of Mr Leysen were understood to be having second thoughts because of the cost of the operation, the implications for the future of La Générale and concern over Mr De Benedetti's next move.

Even the Leysen-Suez camp acknowledged yesterday that not all their Belgian shareholders agreed with the scheme.

Barely a few hours after the announcement of the Leysen-Suez agreement, Mr Alain Minc, Mr De Benedetti's principal lieutenant in the takeover battle, was saying defiantly on French radio that the contest was by no means over.

He suggested that the Italian businessman and his followers had more than a fighting chance and that the allies in Mr Leysen's camp were by no means secure.

Mr De Benedetti and followers – including Shearson-Lehman – are understood to have built up a 37 per cent stake in La Générale.

However, the tide has undoubtedly turned against the Italian. Commented Mr Ponsolle: "Mr De Benedetti thought he could wage a swift Italian campaign which nothing could resist."

After a hesitant start, the Belgians finally put together a successful resistance to Mr De Benedetti.

This emerged in the form of Mr Leysen and his Gevaert group. Behind Gevaert was also Paribas, the privatised French banking group with historic links with Belgium and the traditional rival of Suez in France.

Through its Belgian holding company Compagnie Belge de Participation (Cobepa), Paribas is a big shareholder in Gevaert.

Paribas clearly intended to play a discreet but central role in the takeover battle.

Its strategy from the beginning was to play its Belgian card to the full. With its important Belgian links – apart from Cobepa, Paribas also controls one of Belgium's biggest commercial banks – Paribas decided to entrust its interests in La Générale to its Belgian arm.

Paribas has not acquired directly any La Générale shares but its Belgian Cobepa subsidiary is believed to have accumulated about 9 per cent as part of Mr Leysen's 27.5 per cent block.

Paribas's analysis was that the final solution had to be a Belgian one and that management control of the company would inevitably have to remain in Belgian hands in view of the group's weight in the country. That analysis now appears to have been accurate.

Although Lazard has officially acted as La Générale's defence adviser, Mr De Benedetti soon realised that the game was moving into Mr Leysen's and Paribas's court. Even before Suez went to see Paribas, Mr De Benedetti held talks with Paribas in Paris.

Paribas appears to have been initially open to Mr De Benedetti's approach but the strategy of the Italian businessman and the French banking group soon emerged to be fundamentally different.

As long as Mr De Benedetti continued to insist on playing a dominant management role in the Belgian group rather than entrusting it to Belgians, it was difficult for Paribas and Mr De Benedetti to agree.

Mr De Benedetti also held talks with Mr Leysen, but the problem was always the question of the future management control of La Générale even though, at one stage this week, the De Benedetti camp claimed an agreement was near between the Italian and the Flemish businessman.

In the meantime, Suez was also actively talking to Mr Leysen.

From the beginning, Suez has been implicated in the battle for La Générale. Furious at not having been informed by Mr De Benedetti of his plans to launch the spectacular takeover bid – even though the Italian is a shareholder of Suez, sits on its board and Suez is a shareholder of Mr De Benedetti's French holding company Cerus – Suez acquired a 10 per cent stake in La Générale.

Suez had been forging increasingly close links with La Générale during the past two years and, before Mr De Benedetti's bid, had intended to acquire a 4 per cent stake in the Belgian group this summer with La Générale increasing its 1.5 per cent stake in Suez by a few more percentage points.

Suez and its friends – including Lyonnaise des Eaux, the water distribution group, and the Victoire insurance group – proposed to Mr Leysen an alliance which would closely link the French financial group and its friends in the new controlling shareholding structure of La Générale.

Unlike Mr De Benedetti, Suez emphasised that it wanted La Générale to remain a Belgian company under Belgian management but with a series of new European (essentially French) partners.

In this respect, Suez and Paribas saw eye to eye on the need to preserve the Belgian identity of La Générale. And this appears to have tilted the balance during the last 48 hours in favour of the French, rather than the rival Italian-led camp.

Yet although the Franco-Belgian camp has clearly won an important victory it has by no means won the war. The big question is, what will Mr De Benedetti do next?

With his large block of La Générale shares – even more if his public offer for an additional 15 per cent is successful – his powerful voice will have to be heard. However, Mr De Benedetti now has less room to manoeuvre despite his success this week in blocking in the courts La Générale's poison pill takeover measures.

The Belgians, with the help of their French "white knights," have managed to create around La Générale a coalition. The problem is whether this coalition will also be able to embrace Mr De Benedetti and his friends.

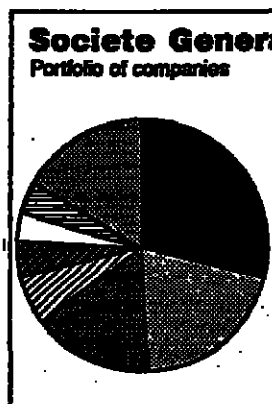
Mr De Benedetti said this week he was prepared to enter an agreement with Mr Leysen based on "equal shareholder" participation but on the condition that an "effective" management was installed at La Générale. The Italian businessman also offered Mr Leysen the chairmanship of the Belgian group.

It is unlikely, to say the least, that Mr De Benedetti will be prepared to play second fiddle at La Générale. And at this stage it is difficult to see how Mr De Benedetti would fit into the new power sharing structure if he fails to win outright control of the Belgian group.

The *dénouement* of the La Générale saga is still extremely uncertain and new *coup de théâtres* could take place at any moment. Mr De Benedetti will undoubtedly intensify the pressure and try to regain the edge over his rivals.

The battle could end rapidly. Equally it could drag on for weeks or months. The stakes are huge – not only in terms of controlling Belgium's most important enterprise, with a stock market value of about $3.9bn, but for the credibility of all the competing players

Societe Generale de Belgique
Portfolio of companies — Total BFr. 100.65bn



HOW THE CAMPS CLAIM TO COMPARE

Group	Shares in La Générale
Leysen group	28%
Compagnie Financière de Suez plus friends	15%
Compagnie Générale d'Electricité	4.5%
De Benedetti	18.6%
De Benedetti followers	18%

Self-made Flemish industrialist holds the ring

Tim Dickson on André Leysen, the Gevaert chairman standing in the way of De Benedetti

DO AND SEE is the title of a widely quoted book written by Mr André Leysen. But as the 60-year-old Flemish businessman yesterday spelled out the details of his proposed shareholder alliance to keep the embattled Société Générale de Belgique in predominantly Belgian hands, there was nothing he could do but wait and see.

He has given the various investors in his camp a 10am deadline this morning to commit themselves fully to a formal affiliation agreement which would give him and Compagnie Financière de Suez a claimed 43 per cent stake in La Générale.

On top of this there is a 4.5 per cent stake owned by Compagnie Générale d'Electricité, the French telecommunications group, which is understood to share Mr Leysen's aims but wants to act independently. And there are "a few more friends which I am sure will give us a substantial majority in a general assembly of the company."

With doubts about the whole operation said to be creeping into the minds of some Belgian shareholders last night, and renewed claims of strength from the De Benedetti camp, there is no telling what could happen today.

But even if Mr Leysen gets the "red light," as he put it yesterday, from some of his friends, he has so far played a remarkable part in at least denting the ambitions of the smooth-talking and hitherto highly successful Italian entrepreneur.

Mr Leysen is a self-made man. He started his career in the early 1950s in a shipping company run by his father-in-law. He turned this round, sold his stake and invested the proceeds in a range of other, mostly financial, businesses in the late 1960s and 1970s.

He first sprang to national prominence in the mid-1970s as saviour of the Flemish newspaper De Staandard, but was probably best known from 1979 as chairman of the Agfa Gevaert photographic business which he ultimately sold to Bayer, the German chemicals group.

Besides being chairman of the holding company Gevaert, through which the La Générale rescue has been conducted, he is a director of Bayer, sits on the surpervisory board of Philips of the Netherlands and of Groupe Bruxelles Lambert and is vice-president of the European Employers' Federation (Unice).

The tag of "the Belgian De Benedetti" is certainly richly deserved. His astute media performances convey a mixture of charm, humour and thoughtful precision when it comes to answering awkward questions. The question of whether he has a coherent industrial and financial plan for restructuring La Générale, however, is one that has not yet been satisfactorily answered.

Mr Leysen has always emphasised his admiration for Mr De Benedetti and in talks over the last couple of weeks he must have been genuinely tempted to join forces with a man apparently prepared to offer him the prestigious top job at La Générale.

Mr Leysen, however, has stuck firm to his belief that there must be a strong Belgian "anchor" to the company's share capital and that no single stakeholder should be allowed overall management control.

The deal with Suez provides for the French group and its friends to cede 5 per cent to Mr Leysen's Belgian investors – making it a two to one split – which is a degree of national protectionism which Mr De Benedetti either misjudged or thought he could disregard.

At the lively press conference in Brussels yesterday, Mr Leysen confirmed his plan to abolish the post of governor at La Générale, to set up a two-tier

André Leysen: set deadline for friendly investors

supervisory board

He indicated that this could be run by "a man with a pipe," a clear reference to Viscount Etienne Davignon, the former EC steel commissioner and now a La Générale director whose role in the future of the company has been the subject of much speculation.

Norsk Hydro lifts payout as profits surge

By Karen Fossli in Oslo

HELPED BY a strong recovery in selling prices, notably for aluminium and petrochemicals, Norsk Hydro, Norway's largest group, yesterday reported a surge in profits out of losses and an increased dividend.

The group made a net profit of NKr1.83bn ($286m) in 1987 against a loss of NKr874m after tax for the previous year. The dividend is being restored to NKr6 a share – its 1985 level – from the NKr4.50 paid in 1986.

Hydro said the improvement was due to better results in most business areas. Progress was particularly marked in petrochemicals and aluminium.

Operating profit in the light metals division jumped from NKr868m to NKr1.63bn.

Mr Torvild Aakvaag, president, said that although a cost reduction programme which the company was undertaking was on schedule, its full effect was not apparent in 1987.

The marked improvements in petrochemicals, aluminium and fertilisers, which contributed to the group's positive result, were augmented by favourable foreign exchange gains, the company said.

The petrochemicals division showed a Nkr923m operating profit last year, compared with a NKr218m loss in 1986. Because of considerable competition from imports, prices in European markets had not risen to a satisfactory level, Hydro said. The oil and gas division saw 1987 operating profit drop to Nkr1.62bn from Nkr1.67bn.

French minister delays UAP privatisation plan

BY GEORGE GRAHAM IN PARIS

MR EDOUARD BALLADUR, the French Finance Minister, has abandoned hopes of privatising Union des Assurances de Paris (UAP), the country's largest insurance group, before the presidential election in April.

Shrugging off suggestions that he might not remain in power after the election, the minister said yesterday that he still hoped to privatise UAP at the end of May or the beginning of June.

He added he had given UAP permission to go ahead with discussions it is conducting with foreign and French companies which could result in the creation of a number of crossed-equity holdings.

Mr Balladur said the success of the privatisation of Matra, the defence and electronics group which had drawn 300,000 subscribers, had demonstrated that the stock market still had potential, in spite of the October crisis. It would be impossible to complete preparations for floating UAP before the end of March.

UAP, which has about 12 per cent of the French insurance market and about FFr100bn ($17.5bn) in funds under management, played a crucial role in Mr Balladur's privatisation plans because of its strategic stakes in French industry.

هكذا من الأصل

COMPANY MEETINGS.

NORTH-EASTERN RAILWAY COMPANY.

The half-yearly general meeting of the North-Eastern Railway Company was held on Friday at the De Grey Rooms, York, Mr. J. Dent Dent (chairman) presiding. [illegible]

GAS LIGHT AND COKE COMPANY.

The 152nd half-yearly general meeting of the Gas Light and Coke Company was held on Friday at the chief office, Horseferry-road, Westminster. [illegible]

A Reuter's telegram dated Buenos Ayres, Feb. 10, says:—The premium on gold has advanced to 47¾ per cent.

LAW REPORTS.

JACKSON V. THE INTERNATIONAL CABLE COMPANY (LIMITED).

[illegible]

FIRTH V. NORTH EASTERN RAILWAY COMPANY.

[illegible]

RE CITY OF TURIN WATERWORKS COMPANY (LIMITED).

[illegible]

THE NORTHERN TRANSVAAL GOLD MINING COMPANY.

[illegible]

Mr. Moyes, who appeared to support the summons, said [illegible]

MIDLAND RAILWAY COMPANY.

The report of the directors of the Midland Railway Company for the half-year ended December 31 states [illegible]

OUR CONTEMPORARIES.

There has, asserts the *Economist*, been extreme inactivity on the Stock Exchange during the past week. [illegible] it does nothing to clear away some of the most obvious difficulties in the position of affairs on the Continent. Trade, too, is rather quiet just at present, although there is no doubt a large volume of business being transacted quietly; but as this does not appear on the surface, it does not encourage speculators on the Stock Exchange, who care only for that which will attract the attention of the public. There has, therefore, been a tendency by operators for the rise to close their accounts, and prices all round have eased off to a slight extent. American railway issues, however, have alone shown any approach to flatness, for they attract at the present time absolutely no attention from the general public. It is difficult to say when a change for the better is likely to take place, for although there is no disposition to press speculative sales, operators for the rise are likely to continue clearing out their engagements, and this will weigh prices down. But later on there will no doubt be a reaction, for, apart from accidents, the ultimate tendency of the markets is an upward direction.

All the English Railway Companies have, remarks the *Bullionist*, declared their dividends for the second half of 1887, and, though no precise fault can be found with them, the results, taken as a whole, are scarcely up to expectations. In the case of the Sheffield Company, full provision has been made for the Hexthorpe accident, and the distribution is consequently 1¼ per cent. below that for the corresponding period of last year. Neither the Midland nor the London and North-Western has improved upon last year's rate, and the fact is the more disappointing in the case of the latter, because there was 77,000*l* to the good in increased traffic receipts on the six months. This gain, however, appears to have been swallowed up by extra expenditure. Briefly, the heavy lines have done better than the passenger lines, though as regards the Brighton dividend a satisfactory improvement is shown. Assuming that the war clouds will disperse, and the political sky become clear, there may be no great reason to indulge in other than a hopeful impression as to the future of British railroad property. But what appears to be puzzling many operators is the continued abstention of the investing public.

The condition of the Money Market continues, states the *Statist*, to be one of extreme ease, owing to the very large credits at the disposal of the open market. The borrowings in anticipation of the dividend payments this year were less than usual, resulting in a smaller amount of the dividend money being required to extinguish the market's debt. Revenue payments have been on a very large scale, it is true, the Government balances at the Bank being now upwards of 7 millions, as compared with 4⅜ millions a year ago, and a little over 4½ millions in 1886. But the money thus placed at the disposal of the Bank has to a large extent become available for the market owing to the fact that the Bank has been increasing its investments in Government Securities and also in other securities. While there has thus been an overabundant supply of money, the demand has been restricted owing to the feeling of uneasiness regarding foreign politics.

The *Bullionist* says the plain fact is that the situation as exposed by Bismarck's speech is, for the stock markets, as dangerous as it can well be. The probability is that, this being the right time of year for such movements to commence, we shall soon see the fruits of the Chancellor's words in the shape of an outbreak in Macedonia and Bulgaria, more or less "debauched by foreign gold," and to the cry of a free Macedonia. It matters little to the Stock Exchange whether the spark should be applied to the European powder magazine on the Rhine, or at the Balkans, or on the Black Sea coast or Asia Minor; the effect on prices would be the same, for the conflagration would soon become general. In the opinion of the *Bullionist*, things may go on for some time as they are, but an eventful war is inevitable.

ON OUR TABLE.

In this, the ninth yearly issue of "The Directory of Directors," there is a considerable increase in size, showing the activity which has existed in company matters during the past year. In the issue for 1886 the number of directors was 10,000. During 1887 1,100 fell out of the ranks, as compared with 1,200 in 1886, and 800 in 1885. But the increased number of companies has rendered necessary not only the making good of this loss, but of a further addition to the number. As many as 1,400 new men have come into the directorial ranks, and this work now includes all the necessary particulars of 10,300 directors. The book is compiled with the usual exactitude and attention to detail which characterises the works of Mr. Thomas Skinner, of the Royal Exchange.

On Friday Captain Carver, of the steamship Nio, of Sunderland, was charged before the North Shields Magistrates by the Board of Trade, with having been in collision off the Yorkshire coast with the sailing vessel Mary Ann, of Lowestoft, and not giving to the captain of that vessel the name of his steamer, or where she belonged to.—Evidence was given that the defendant had proceeded, notwithstanding the fact that the crew of the Mary Ann called for assistance. The magistrates fined the defendant 25*l* and costs.

THE FRAUDS IN CHANCERY.

The fraud lately practised on the Chancery Division of the High Court of Justice by means of forgery and the swearing of false affidavits has, says the *Spectator*, raised some very curious points as to the responsibility of the court for monies entrusted to its charge. Since there seems to be some mistake as to the exact effect of the decision in the present case, that of "Slater v. Slater," it may be as well to state clearly that the complete liability of the Crown in regard to money improperly paid out was fully acknowledged in the course of the action. Just as a private trustee is liable for money stolen, not by him, or through his connivance, but through the fraud of other people, the Court is liable to make good funds entrusted to its care which its has by mistake, or through the frauds of others, improperly disposed of. In neither case are good intentions, and absence of any wrong-doing on the part of those parting with the money to the wrong people, of any avail. It cannot be imagined that any rule of law opposed to this could possibly be allowed to prevail. The Chancery Division could not be allowed, as it often does, to order sums of money to be paid into Court, and when those sums were paid, refuse to be responsible for their safe keeping. When, then, the Solicitor-General admitted "the liability of the Crown to repay the fund if the documents under which the money had been obtained were strictly proved to be forgeries," he was not acting with any special or extraordinary generosity. If it is possible to stand in a fiduciary relation towards any one, surely the Chancery Division of the High Court of Justice, which forces its trusteeship on unwilling owners of property, must stand in that relation to its suitors, and be liable to have its duties enforced in the very strictest sense. It is greatly to be feared that the officials trust too much to the honour of the solicitors' clerks who are before them. No doubt, in some cases it may be wise to do so, and the custom expedites business immensely; Still, it cannot be right that money should be paid out of the Chancery Division, as seems to be the case, with fewer precautions for security against fraud than those practised by a railway company. It would not be fair to leave the consideration of the case without stating that it is not the conduct of the officials themselves, which has been shown to be faulty, but the system under which they work.

SATURDAY'S MARKETS.

LONDON.

Metropolitan Meat.—A moderate supply was on offer. The trade was slack at the annexed prices:—Beef, 2s to 4s; mutton, 2s 4d to 4s 6d; veal, 4s to 4s 4d; and pork, 2s 8d to 3s 8d per 8lb by the carcase.

Game and Poultry.—English hares 2s 9d to 1s; foreign ditto, 1s to 2s; rabbits, 1s 6d to 1s 10d; wild ditto, 10d to 1s 4d; pigeons, 7d to 9d; Bordeaux ditto, 1s 2d to 1s 6d; hazel grouse, 1s 6d to 1s 9d; woodcocks, 2s 6d to 3s; wild ducks, 1s 6d to 2s 4d; widgeons, 1s to 1s 6d; ptarmigan, 8d to 1s; turkeys, 4s 6d to 10s; geese, 5s to 5s 6d; chickens, 1s 6d to 2s; large fowls (English), 3s 3d to 4s 6d; ditto foreign, 1s 6d to 2s 6d; pullets, 2s 6d to 3s; Guinea fowls, 2s 9d to 3s 9d each; and larks, 10d to 1s per dozen.

Billingsgate Fish.—Scotch salmon, 1s 10d to 2s 2d; Irish ditto, 1s 9d to 2s; crimped English ditto, 3s to 3s 3d; Dutch ditto, 1s 10d to 2s 1d; mild smoked ditto 2s 9d to 3s; kippered ditto, 7d to 10d; pickled ditto, 6d to 8d; trout, 1s 9d to 2s; eels, 8d to 9½; live ditto, 10d to 1s; sturgeon, 8d to 10d halibut, 9d to 1s; turbot, 1s to 1s 5d; brill 9d to 1s 2d; place 8d to 1s; cod, 9d to 11d; crimped ditto, 1s 2d to 1s 6d; codling, 4d to 6d; crimped skate 5d to 6d; and lobsters, 2s to 2s 4d per lb.

Central Fish.—A brisk demand for a good supply. Prices: Eels, 8d to 1s 2d; brill, 5d; lemon soles, 4d to 6d; crimp skate, 5d to 6d; cod, 3d to 5d; fresh haddock, 2d to 3d; conger eel, 3d to 4d; hake, 4d; plaice, 3d to 4d; turbot, 9d to 10d; soles, 1s to 1s 2d; slips, 9d to 10d; gurnet, 4d to 6d per lb; mackerel, 3d to 4d; grey mullet, 4d to 9d; red ditto, 8d to 1s; smoked haddocks, 1d to 6d; lobsters, 9d to 3s; crabs, 6d to 2s 6d each; whiting, 2s to 4s; fresh herrings, 6d to 8d; bloaters, 9d to 2s; scallops, 5d; oysters, 4d to 2s 6d per dozen; kippers, 2s to 3s per dozen pairs.

Whitechapel Hay and Straw.—There was a short supply on sale. The trade was very dull, at late rates. Prime clover, 90s to 97s 6d; inferior, 70s to 90s; prime meadow hay, 78s to 92s; inferior, 56s to 70s; and straw, 28s to 41s per load.

COUNTRY CORN.

Doncaster.—Fair supply of wheat, and trade firm both for English and foreign at last week's prices. Small supply of barley, prices unchanged; limited demand for seed; trade in other things about the same.

Newcastle.—English and foreign wheat quiet at late rates, barely supported. Oats in buyer's favour. Maize 6d cheaper. Barley firm. Beans and peas 6d cheaper on the week. Flour a dull sale, and prices tending lower.

Nottingham.—There is a small supply of wheat, for which a slow demand was experienced, and prices were about the same as heretofore. Barley was fairly represented, and sold slowly at the rates of last week. Not much doing in oats, but late values maintained. No change in the price of beans.

Preston.—Supply of wheat much smaller than for many weeks, but which is taken freely at last week's full prices. No change in flour, oats, or oatmeal. Wheat, 14s 6d to 15s per 220lb; flour, 22s to 26s per sack of 240lb; oats, 2s 4d to 2s 6d per 45lb; oatmeal, 23s to 24s per 240lb.

Leicester.—Better attendance, with moderate supply of home-grown wheats in firm condition; trade steady, at 30s to 36s per 36 stones; barleys steady.

Canterbury.—The wheat trade is dull, and prices are unsteady, but at present remain nominally unaltered. Malting barley quiet, but prices maintained.

Carlisle.—Small supply of wheat, and no change. Oats, smaller supply, and rather better prices.

Cork.—315 cwt. black oats, 5s 2d to 5s 5d.

COUNTRY CATTLE.

Canterbury.—There was a good supply of store sheep, which met with a quiet demand. Kent tegs being mostly in demand. Cows and calves of good quality sold fairly well. Store beasts made about the same money as before.

Leicester.—Good average supply of horned stock to-day in good condition. Buyers and dealers better represented and trade slightly improved for best qualities, inferior flat. Milch cows in request at 15*l* to 21*l* per head; bullocks, 10*l* to 15*l* per head; yearlings, 2*l* to 3*l*.

Liverpool Cotton.—Spot sales, 3,000 bales; speculation and export, 500 bales. American, 6,680 bales, 5 7-16d, fair demand without change; Brazilian, neglected; East Indian, fair request, without change. Futures, one to two points lower on day. July-August and August-September done at 5 42-64d; September-October, 532-64d.

Leicester Wool.—The wool market is characterized by much firmness, and, owing to the shortness of supplies, holders are indifferent to business unless at the extreme limit of quotations. Strong wools of deep staple are in good request to meet the heavy consumption, and skin wools are cleared off as fast as produced. Fine fleeces sell steadily, but large speculative operations are avoided. The yarn market is brisker, and prices are firmer.

Canterbury Wool.—Prices are well supported for Kent wool, but there is not much doing.

Canterbury Hop.—In sympathy with the flatness in the Borough, our market to-day is without much feature. Ordinary hops must be quoted little easier when pressed for sale, but the rates for choice remain unchanged. Inferior samples unsaleable.

Cork Butter.—Ordinary: Firsts, 120s; seconds, 115s; thirds, 65s; fourths, 36s. Kegs: Thirds, —s; fourths, —s. Mild-cured firkins: Fine mild, 115s; mild, 97s. In market: 218 firkins, 7 kegs, 7 mild

SINGLE OPTIONS.

(The Put and Call is Double the Single Option.)

	End Feb.	End Mar.	End April.
Egyptian 4 p.c.	½ — ⅝	15-16 — 1 1-16	1¼ — 1½
Italian 5 p.c.	½ — ½	1 — 1	1¼ — 1¼
Mexican	½ — ½	1 — 1	1½ — 1½
Ottoman Bank	[illegible] — 3-16	5-16 — 7-16	7-16 — 9-16
Peruvian	[illegible]	7-16 — 9-16	¾ — 1
Russian 5 per cent. 1873	½ — 1	1 — 1½	1½ — 2
Rio Tinto	¾ — 1½	1½ — 2½	2½ — 3½
Spanish 4 per	½ — ½	½ — ½	¾ — 1
Suez	½ — ½	1 — 1¼	1¼ — 1½
Turks (group 3 or 4)	½ — ½	5-16 — 7-16	7-16 — 9-16
Canada Pacific	1 — 1½	1½ — 2½	2 — 2½
Central Pacific	1 — 1½	1½ — 2½	2 — 2½
Chicago, Milwk.	1 — 1½	1½ — 2½	2 — 2½
Denver Pref	1½ — 1½	1½ — 1½	1½ — 2½
Eries	1 — 1½	1½ — 1½	1½ — 2½
Lake Shore	1 — 1½	1½ — 1½	1½ — 2½
Louisville	1 — 1½	1½ — 2½	2 — 2½
N. York Central	½ — 1	1 — 1½	1½ — 1½
Reading	1 — 1½	1½ — 2½	2 — 2½
Union Pacific	1 — 1½	1½ — 2½	2½ — 2½
Wabash Pref.	1 — 1½	1½ — 1½	2 — 2½

Option Days: February 13th and 27th, March 12th and 26th.

LATEST TRAFFIC RECEIPTS.

The receipts of the Furness Railway for last week show an increase of 145*l*.

The report of the Great Southern and Western Railway to hand on Saturday states that the gross receipts for the past six months amounted to 375,037*l*, being a decrease of 10,651*l*, whilst the expenses at 197,641*l* are only 2,542*l* lower. The dividend on the Ordinary Stock is at the rate of 4½ per cent., against 4¾, the balance forward being 18,307*l*, against 20,815*l*.

The traffic receipts of the Central Uruguay Railway Company of Montevideo for the week ended January 7 show an increase of 1,532*l*; ditto (January 14), an increase of 1,506*l*; ditto (January 21), an increase of 1,452*l*; ditto (January 28), an increase of 2,231*l*; and ditto (February 4), an increase of 1,515*l*. The aggregate gross receipts from July 1 to February 4 were 120,955*l*, an increase of 2,667*l*.

The traffic receipts of the Bombay and Baroda Railway Company for the week ended February 4th show a decrease of 79*l*; Rajputana Malwa (ditto), an increase of 3,268*l*; Buenos Ayres Great Southern (February 5th), an increase of 5,065*l*; Central Argentine (February 5th), an increase of 1,912*l*; East Indian (February 4th), an increase of 5,968*l*; La Guira and Caracas (December 31st), a decrease of 95*l*; and Wabash (January 21st), an increase of 94 dollars.

The earnings of the Norfolk and Western Railroad Company for December were 406,427 dols, against 267,394 dols; and the net earnings 182,059 dols, against 91,010 dols, the proportion of expenses to gross earnings being 55, against 65 per cent. For 12 months, from January 1 to December 31, the gross earnings were 4,254,794 dols, against 3,252,656 dols; and the net earnings 1,771,013 dols, against 1,291,147 dols, the proportion of expenses to gross earnings being 58, against 60 per cent.

Railways.—London and Brighton, Friday, 429*l* increase; Madras, for the week ended December 31, 205*l* increase; Canadian Pacific, week ended February 7, 87,000 dols increase; Central Argentine, for week ended February 5, 1,912*l* increase; Dutch Rhenish, for week ended February 7, 837*l* increase; B. Ayres and Ensenada Port, week ended February 5, 762*l* increase; Recife and San Francisco Pernambuco, week ended December 17, 1,587*l* increase; Lombardy Road, for January, 101*l* increase.

The report of the London General Omnibus Company shows that the gross receipts for the half-year were 326,865*l*, or 12,882*l* below the 1886 corresponding figures, the absence of a national exhibition at South Kensington and the reduction in fares caused by competition explaining the decrease. The number of passengers carried by the company's omnibuses exceeded the number carried in the corresponding period of 1886 by more than four and a quarter millions, but the average fare being one farthing less, the pecuniary result was as stated. The expenses at 295,964*l* are 2,362*l* higher. The dividend is at the rate of 10 per cent., carrying forward 6,245*l*. For the corresponding half of 1886 the same dividend was paid, with a bonus of 1½ per cent., and 9,245*l* was carried forward.

For the past six months the gross receipts of the Millwall Dock Company fell 7,167*l*, and the expenses 3,835*l*. The dividend is 2½ per cent., or ¾ per cent. less than the 1886 corresponding return, and making 3½ against 4½ per cent. for the whole year. To-day the directors in their report state that "the active competition and war of rates between the London and St. Katharine and the East and West India Dock Companies has continued in full force during the year 1887, and, joined to the dulness of trade in the Port of London during the autumn of last year, has again affected the gross receipts derived from the business done at the Millwall Docks, and the net receipts show a decrease of nearly 4,000*l*. The directors have adhered to their determination not to take business at a loss, and as a proof that this is the right policy the proportion of expenditure to receipts is still less than 60 per cent. It is to a revival of trade from the depression which has continued so long that the directors look for a renewal of the prosperity of the Millwall Docks. The working union of the London and St. Katharine and East and West India Dock Companies now under consideration may lead to a return to more equitable and remunerative rates in respect to the shipping than have lately prevailed, and in that way the receipts of the Millwall Dock Company may indirectly benefit by the conclusion of peace between the two larger companies."

DIVIDENDS ANNOUNCED.

The half-yearly meeting of the Great Western Railway was held yesterday at Paddington, Sir Daniel Gooch presiding. The directors proposed a dividend at the rate of 6½ per cent., carrying forward 40,600*l*, against a dividend of 6¾, carrying forward 42,592*l* in the corresponding half-year.

The half-yearly general meeting of the London and South-Western Railway Company was held yesterday at the offices, York-road, Waterloo Station. They were enabled to recommend the very satisfactory dividend of 7 per cent. per annum, and to carry forward 11,115*l*, which was within a few hundred pounds of the amount carried forward at the corresponding period of 1886.

The Great Northern Railway Company.—After providing for all fixed charges, the net balance enables the proprietors to declare a dividend at the rate of 5*l* 15s per cent. per annum on the original stock, making for the half-year 2*l* 17s 6d per cent. on the original, 3*l* per cent. on the "B," and 2*l* 15s per cent. on the "A" stocks, and the total dividend on the stocks for 1887 4*l* 7s 6d per cent. on the original 6*l* per cent. on the "B," and 2*l* 15s per cent. on the "A," leaving 1,177*l* to be carried forward.

The North London Railway recommend the dividends on the First and Second Preference stocks, and propose a dividend on the Ordinary stock of 3¾ per cent., making the dividend for the 12 months 7½ per cent. per annum, leaving 2,963*l* to be carried forward.

The Jarvis-Conklin Mortgage Trust Company have declared a dividend of 5 per cent. for the half-year ending January 31, and have increased their reserve fund by 40,000 dols, making a total of 140,000 dols. English shareholders will receive their dividend warrants direct from the London office.

The directors of the General Steam Navigation Company recommend a dividend of 3s 9d per share on the ordinary fully paid-up shares for the half-year ending December 31.

The directors' report of the Great Southern and Western Railway for the half-year ended December 31, 1887, shows the balance available for dividend to be 150,503*l*, out of which they recommend that a dividend at the rate of 4 per cent. per annum be paid to the proprietors of the Four per Cent. Perpetual Preferential stock, and that a dividend at the rate of 4½ per cent. per annum be paid to the proprietors of the Consolidated Stock of the company, which will leave a balance of 18,307*l* to be carried forward to the next account. The traffic receipts show a decrease of 10,651*l* as compared with the corresponding period of last year. The working expenses show a decrease of 2,542*l*.

An interim dividend of 1s 6d per share in the Pittsburgh Consolidated Gold Mines, Limited, has been declared, payable on March 1.

The United States Rolling Stock Company has declared a dividend of 4s per share, payable on April 1.

The report of the directors of Brunner, Mond and Co., Limited, states that the profit balance of the half-year ended on December 31 was 89,112*l*, which, with the amount brought forward, makes a total of 124,656*l*. They propose a dividend on the preference capital at the rate of 7 per cent., and a dividend on the ordinary capital at 25 per cent. per annum, writing 7,500*l* off patents account, and carrying forward 35,488*l*.

The directors of the London General Omnibus Company, Limited, propose a dividend at the rate of 10 per cent. per annum, tax free, for the half-year ending December 31.

The directors of Brooke, Simpson, and Spiller, Limited, recommended a dividend of 6 per cent. per annum on the "A" Shares.

The directors of the Imperial Property Investment Company, Limited, recommend a dividend at the rate of 10 per cent. for the past year, less the interim dividend paid last July.

The report of the directors of the Brighton Aquarium Company for the year 1887 states that they recommend a dividend of 2½ per cent. per annum, as last year, on the preference shares, leaving 835*l*. With regard to the disposal of this balance, the directors recommend that 30*l* be applied towards alterations of the auditorium; 2000*l* in reduction of the balance (1,702*l*) to debit of capital account, and 335*l* carried forward.

THE AFFAIRS OF JOSEPH NELSON.

A receiving order has been made against Joseph Nelson, described as of 111, High-street, Marylebone. The petitioning creditor is Sir Whaley Tyler, M.P., whose debt is in respect of costs incurred by him in successfully defending an action brought by the debtor for forcible ejection from a meeting of the Peruvian bondholders in December, 1886. The amount of liabilities and assets was not mentioned.

THE GENERAL IMPROVEMENT IN TRADE.

The reports of the railway companies for the past half-year and the speeches of the chairmen of the companies at the meetings already held refer in encouraging terms to the general improvement in the trade of the country. The Midland directors "believe that the indications of general improvement in trade have become more marked," and at the meeting of the North-Eastern Company yesterday the chairman referred to the increase in the goods receipts as evidence of an "increased trade and prosperity in our district." The best proof, however, of the revival of business is the aggregate result reported by the 16 leading English companies. On these lines there was for the past six months an increase in the gross receipts of 525,000*l*. In the corresponding period of 1886 there was an increase of about 220,000*l*, so that the returns for the past six months are 745,000*l* above the 1885 figures. To earn the additional revenue the companies had to spend 319,000*l* more, leaving a gain of 206,000*l* in the net receipts. The aggregate balances brought into the account stand at 22,000*l*, and the other items 11,000*l* higher, so that the total net revenue of the 16 companies shows an improvement of 239,000*l* for the half-year. The first charges, such as debenture interest and rent charges, are only 14,000*l* higher. There is thus a net improvement of 225,000*l* in the balance available for dividend. Of this amount the Preference stockholders receive 15,000*l*, and the holders of Ordinary Stocks 199,000*l*, leaving 11,000*l* more to be carried forward. These are results which must strengthen confidence in the stocks of home railway companies, which are evidently in a position to take full advantage of the improved condition of the trade of the country.

THE SHIPS OF THE FUTURE.

The change that has taken place in the last few years in the construction of our mercantile marine was brought out very clearly by Mr. Thomas Scrutton in his address to the Chamber of Shipping. Wood is out of date, and steel is rapidly superseding iron, while sailing vessels, even of large size, are found unable to compete with the newest type of steamer. The following is a statement of number and gross tonnage of iron and steel steamers and sailing vessels the construction of which was actually commenced in the United Kingdom in the years 1885, 1886, 1887, respectively:—

	1885. No.	1885. Tons.	1886. No.	1886. Tons.	1887. No.	1887. Tons.
Steamers. Iron	121	115,817	57	29,325	35	19,489
Steel	170	244,294	137	211,619	256	481,766
Total	291	360,121	194	250,944	291	501,255
Sailing vessels. Iron	89	[illegible]	29	70,416	19	16,550
Steel	27	33,150	11	16,500	15	32,248
Total	116	[illegible]	40	87,210	30	50,798

These results show that the British shipowner is availing himself of the most approved modes of construction, even although he is thereby depreciating his existing property. The process of changing sail for steam, it is claimed, is largely promoting the security of the sailor, as well as giving increased facilities in connection with trade, both of which are not incompatible with commercial success.

SALES BY AUCTION—THIS DAY.

Lyon, W. S.—Furniture and effects; at 200, Victoria-park-rd, Hackney, at 1.

Brown and Tooth.—Stock of carpets, china, and glass; at 187, Oxford-street, at 2.

Stevens, J. C.—Natural History Specimens, silver, minerals, &c., at 38, King-st, Covent-gdn, at 12.30.

Phillips, Son, and Neale.—Stock of jewellery, watches, plated articles, bronzes, clocks, art furniture, and fancy goods: at 73, New Bond-st, at 1.

Debenham, Storr, and Sons.—Stock of watches and jewellery and attire, piece goods, &c.; at 26, King-st, Covent-gdn, at 12.

Briggs, G. J.—Horses, carriages, and harness: at the Elephant and Castle Horse Repository, New Kent-rd, at 12.

Protheroe and Morris.—Nursery stock: at The Eltham Nursery, Eltham, at 12.

A naphtha reservoir is to be constructed in the harbour at Odessa at a cost of two and a half million roubles. It will have a projecting sea wall 1,200 yards in extent. Into this reservoir the oil will be hydraulicly pumped direct from the tank holes of the specially constructed petroleum vessels running between Odessa and Batoum.

The LISTS will OPEN on MONDAY, the 13th inst., and CLOSE on or before THURSDAY, the 16th, for Town and Country.

Entire Foreign Patent Rights for Ashley's Invention for Bottle-Making by Automatic Machinery. Bottles produced at one-tenth the present cost of labour.

Estimated Profits from Royalties alone over £400,000 per Annum, equal to 65 per cent. on the entire Capital of the Company now issued.

The Vendors have so much confidence in the future success of the Company that they are prepared to receive the whole of the purchase-money in Shares, or Shares and Cash, at the option of the Directors of the Company.

EUROPEAN & AMERICAN MACHINE MADE BOTTLE COMPANY,

LIMITED.

Incorporated Under the Companies Acts, 1862 to 1887.

CAPITAL £600,000, IN 120,000 SHARES of £5 each.

Issue of £600,000, in 120,000 Shares of £5 each. Payable 5s. per Share on Application, 15s. on Allotment, £2 on April 5, and the balance on May 15, 1888, a large amount of which has already been applied for.

DIRECTORS.

GEO. WOODYATT HASTINGS, Esq., M.P., D.L., J.P., Brooks' Club, St. James-street, S.W., and Barnard's-green House, near Malvern (Chairman of the Worcester City and County Banking Company, Limited, and of the Worcester Royal Porcelain Company, Limited).

COLONEL CHAS. FREVILLE SURTEES, D.L., J.P., Chalcott House, Long Ditton (Director of the South Eastern Railway Company).

F. R. BULLOCK, Esq. (of R. G. Shaw and Co., East India Merchants), 88, Bishopsgate-street-within, E.C (Chairman of the Upper Assam Tea Company, Limited).

EMERSON BAINBRIDGE, Esq., C.E., J.P., Consulting Engineer, 2, Great George-street, Westminster, S.W., and Nunnery Collieries, Sheffield.

R. INGHAM CLARK, Esq., J.P., F.L.S., F.C.S. (of Messrs. Robert Ingham Clark and Co., Varnish Manufacturers, West Ham Abbey Works, and 18, St. Helen's-place, E.C.), Director of the Federal Fire Insurance Company, Limited.

ALBERT HOSTER, Esq., A. M. S. T. E. and E., of London and Paris (Joint Managing Director of Messrs. Woodhouse and Rawson, *Limited*, engineers, London).

ARTHUR BOAKE, Esq. (of Messrs. A. Boake and Co., consulting chemists), Clonskeagh Chemical Works, Stratford.

JULIUS FAHDT, Esq., Dresden, manufacturer of glass moulds and sand blast machinery, and editor of *Glass Industry Gazette*, of Germany.

BANKERS.

The London and Westminster Bank, Limited, Lothbury, London, E.C., and Branches.

SOLICITORS.

Messrs. CHINERY, ALDRIDGE, and CO., 2, Brabant Court, Gracechurch Street, London, E.C., and Messrs. LUMLEY and LUMLEY, 15, Old Jewry Chambers, Bank, E.C., and 15, Rue de la Chaussée d'Antin, Paris; and 75 bis Cours Journee Ander, Bordeaux.

BROKERS.

London: Messrs. NICKISSON, EVANS, and CO., Stock Exchange, and 2, Capel-court, E.C.
Leeds. Messrs. RIDSDALE and WALES, stockbrokers, Leeds.
Liverpool: Messrs. JOSEPH KING and SONS, Stock Exchange, and Exchange-street, Liverpool.
Manchester: Messrs. FERNYHOUGH and ASHE, Stock Exchange, Manchester.

SECRETARY.—ERNEST O. LAMBERT.

OFFICES—Winchester House, Old Broad-street, London, E.C.

PROSPECTUS.

THIS COMPANY has been formed for the purpose of acquiring, and, as deemed expedient, working under, by licensing manufacturers or otherwise, the Foreign and Colonial Patents for Ashley's Invention for the manufacture of glass bottles and other glass hollow ware, in relation to which the Directors have no hesitation in expressing their firm conviction that it is destined to entirely revolutionise the glass bottle manufacturing industry throughout the world. The English Patent for the same is numbered 14,727, and dated November 13th, 1886 (with certain improvements contained under Provisional Specifications, numbers 3,434 and 7,560, 1887, respectively, comprising an invention for the manufacture of glass bottles and other glass hollow ware by machinery), the validity of the whole, after thorough search, having been certified by R. F. Drury, Esq., F.Inst.P.A.

The English Paten' rights were secured by a well known firm of English bottle makers in Yorkshire, and have since been sold by them to a Joint-Stock Company under the title of "Ashley's Patent (Machine-made) Bottle Company."

Patents for the following Countries have already been duly applied for—

France	Italy	Portugal
Germany	United States of America	Russia
Belgium	Canada	Denmark
Austria	Spain	Norway
Sweden	Queensland	West Australia
India	Tasmania	Argentine Republic
Victoria	South Australia	Brazil
New South Wales	New Zealand	Turkey

Years of scientific labour and large sums of money hav e been fruitlessly expended in trying to find some method of producing bottles by machinery. In the bottle trade, the primitive methods that obtained hundreds of years ago have been continued with little modification to the present day; glass is still fashioned by human hands and lips. Mechanical science has revolutionised all other industries, and has left this most important one untouched.

It is claimed for this invention that, henceforth, machinery must be employed in the bottle industry. Hitherto bottles have been entirely produced by hand and mouth, the lip or ring of the neck being put on by a separate manipulation in the process of manufacture, and, although frequent attempts have been made to substitute machinery for the old-fashioned and injurious system of mouth blowing, all previous efforts in this direction have hitherto been admittedly unsuccessful. The remarkable invention secured by the Company has effected a satisfactory and practical solution of the problem, and therefore glass can be melted, and then fashioned by machinery. And not only is an enormous reduction effected by substituting machinery for hand labour, but with an accuracy hitherto impossible, and with results in the highest degree beneficial to one of the most important industries in which human labour is engaged.

The introduction of machinery has naturally created enormous excitement; probably no invention of modern times has been the subject of more favourable attention and comment in the public Press, and intending shareholders are referred to the numerous extracts taken from a few of the leading journ als.

The Invention, like most others of great practical value, is remarkably simply, and the process, as compared below with that now in use, possesses many obvious advantages.

BOTTLE MAKING BY PRESENT PROCESS.

1. The "Gatherer" gathers the glass out of the furnace on the end of a blow pipe. The "Blower," taking blow pipe from the "Gatherer," blows a bubble in the glass, and then rolls it on the "marver" in order to draw it out to required length.
2. The "Blower" next carries the pipe, with partly blown bottle at end, to bottle mould, and having placed it inside, pulls hard with one hand at a chain attached to the mould, while, with the other, he holds the blow pipe to his mouth and blows with all his might.
3. The bottle is then taken by a lad, and cut off from the blow pipe by means of a steel chisel and cold water. This is called "wetting" or "wetting off."
4. The hot blow pipe, with large lump of red-hot glass attached, is then placed on a rack, where it remains, until, by contraction of the glass in cooling, it eventually cracks off. This entails a waste of over 20 per cent. of all the glass used, which waste has to be re-smelted.
5. The bottle is afterwards taken by the head man, or "maker," who with one hand holds the bottom end in a tool called a "punty." He also heats the top end, and with the other hand takes some glass out of the furnace on to an iron rod, and wraps it round the neck. This done, he throws down the rod, picks up a pair of moulding tools, which he holds to neck, while "spinning" the bottle rapidly round, thus shaping the ring on the lip, but never gets it actually true, even in the case of the best of workmen.
6. Working space, say 100 per cent.
7. Labour: Five hands (two men and three boys) work one hole, and make about eight gross of bottles for a day's work.

BOTTLE MAKING BY NEW PROCESS.

1. Instantaneous automatic action of lever or crank does all the work required, and does it better.
2. As the bottle mould forms part of the machine, the operator remains stationary. The mould closes automatically (being fed by a continuous flow of molten glass from the furnace), and an automatic machine blower at once completes the bottle.
3. As the glass never becomes attached or welded to any part of the machine, the "wetter-off" is entirely dispensed with.
4. No "cracking off." No waste glass.
5. The neck, with ring on lip, made and finished simultaneously and instantaneously, as described in No. 2.
6. Working space, under 75 per cent. (economy over 25 per cent.)
7. Labour: Three hands (one man and two boys) work one machine; will make about 80 gross of bottles per day.

The following statement taken from the published statistics of the Press will serve to show how an estimated annual income of £400,000, equivalent to over 65 per cent. on the entire capital of the Company now issued, may confidently be expected to be realised.

OUTPUT PER DAY OF GLASS BOTTLES.

	Gross per day.
Germany and Belgium	30,039
Austria	7,000
Sweden	960
Norway	600
United States	840
Denmark	360
France	100
Canada	120
Australia	207
Total	40,226

Or equal to 12,067,800 gross per annum of 300 working days.

It will be seen that, in the above countries alone, 40,226 gross are produced per day, which, taken at 300 working days, would be 12,067,800 gross per annum; and assuming that only a royalty of 8d per gross (or 30 per cent. less than is proposed to be charged by the English Company), the revenue from this source alone would be equal to a profit of 400,000*l* a year, and this without material expenditure by or risk to this Company.

The above, it will be seen, does not include numerous countries of great importance, in respect of which statistics are wanting and from the numerous inquiries to purchase the other Patent-rights not included in this estimate or acquire licenses to work under same, it is confidently expected that the greater portion of this Company's Capital will be returned to the Shareholders from this source alone, as bottle-makers will be practically compelled to adopt the machine, owing to the immense saving of labour effected, and the great superiority of the bottles produced thereby.

The Vendors have so much confidence in the invention that they are quite prepared to transfer the whole of their valuable rights for fully paid-up Shares in the Company, notwithstanding that they have negotiations for the purchase of certain of the Patent rights for cash and royalties, thus affording conclusive evidence of their personal belief in the future success of this enterprise.

By means of the present issue, the Company reserves for working capital 100,000*l*, which the Directors are convinced will be ample for the carrying out all the objects of the undertaking.

The following Contracts have been entered into:—A certain agreement between John Hardcastle and Howard Matravers Ashley, of the one part, and John Charles Cottam, of the other part, and dated the 31st day of December, 1887, and an agreement made between John Charles Cottam, of the one part, and Alfred Charles Dockerill, as Trustee for the Commercial Trust Agency, Limited, of the other part, and dated 31st day of December, 1887, and an agreement made between Alfred Charles Dockerill, as Trustee, of the one part, and Ernest Orger Lambert, as Trustee on behalf of the Company, of the other part, and dated the 9th day of February, 1888; which latter agreement provides for the purchase of the Patent-rights above stated for all countries in the world where patents are obtainable other than the United Kingdom of Great Britain and Ireland, for the sum of 500,000*l*, payable either in Shares or cash and Shares, at the option of the Directors.

The Memorandum and Articles of Association of the Company can be seen at the Offices of the Solicitors of the Company.

Application will be made to the London Stock Exchange for a settlement and quotation of the Company's Shares as early as practicable.

Application may be made on the form accompanying the Prospectus, or by letter addressed to the Secretary, briefly stating the number of Shares required, accompanied by a remittance of 5s per Share.

Where no Allotment is made, the deposit will be returned in full, and where application is made for more Shares than are allotted, the balance of the deposit will be applied towards payment on the Shares allotted.

Prospectuses and Forms of Application for Shares may be had of the Bankers, Solicitors, Brokers, and Auditors, and at the Office of the Company.

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday February 12 1988

Financial Corporation faces piecemeal break-up

BY ANATOLE KALETSKY IN NEW YORK

FINANCIAL CORPORATION of America, the largest US savings and loan institution, which has been kept precariously afloat for four years by Federal regulators, appears to be facing a piecemeal break-up, against the wishes of its management.

The strategy of selling off FCA's assets piecemeal, rather than letting the company grow its way out of its financial problems, or seeking a single buyer to take over the whole institution, was confirmed yesterday by the Federal Home Loan Bank Board (FHLBB) after meetings by Mr Roger Martin, the board member responsible for FCA, with the company's Los Angeles-based management and other California thrift institutions.

Mr Martin told FCA management that they must begin disposing of the huge portfolio of mortgage-backed securities which the company had accumulated in the hopes of boosting its profits and improving the quality of its balance sheet.

This decision appeared to conflict with the hopes of saving the company through an FCA "earn-out", which were expressed as recently as two weeks ago by Mr William Popejoy, the FCA's chairman, who was brought in by the FHLBB after the company's near-collapse under the weight of disastrously miscalculated property lending.

According to FCA, Mr Martin "directed" the company to sell \$2.5bn "in the near future" and indicated that further sales worth about \$5bn might be required before the end of the year.

The first \$2.5bn tranche of mortgage-backed securities sales would reduce FCA's securities portfolio by 14 per cent and trim 7 per cent off its total assets, which amount to about \$31bn.

In addition Mr Martin held meetings involving about a 12 major California thrift institutions, to investigate the possibilities for selling some or all of FCA's branches.

FCA operates 185 branches, which generate about \$15bn in retail deposits for its main operating subsidiary, under the banner of American Savings & Loan.

The shift in the FHLBB's strategy on FCA reflects several developments. The sharp drop in interest rates over the last six months has raised the value of FCA's securities portfolio and made it possible to liquidate large parts of this investment without suffering further losses.

At current market values, officials estimate that total unrealised losses on FCA's mortgage-backed securities portfolio would come to around \$400m, as against \$2.5bn last year.

Genentech files \$50m suit against Monsanto

By Louise Kehoe in San Francisco

GENENTECH, the leading US biotechnology company, has filed a \$50m lawsuit against Monsanto and two former Genentech employees, alleging theft of trade secrets related to TPA (Activase), Genentech's recently released blood clot dissolving heart attack drug, and to a treatment for haemophiliacs that Genentech is developing.

Genentech introduced Activase last November and recently announced that sales totalled \$58m in just the last six weeks of 1987, making Activase the fastest-selling biotech pharmaceutical product.

Genentech is also seeking a court order that would block the defendants from using trade secrets which it claims the former employees stole.

Named in the suit are Mr Charles Benton, formerly senior scientist in Genentech's molecular biology department, and Mr Christian Simonsen, a former Genentech research scientist. Mr Benton is now president and chief executive of Invitron, a California research company in which Monsanto holds a 70 per cent interest. Mr Simonsen also holds a senior position at Invitron.

The Genentech suit charges the defendants with removing documents or laboratory specimens from Genentech for the purpose of developing competing products.

Invitron said the suit follows its announcement last month that Monsanto, G.D.Searle, a Monsanto subsidiary, and Invitron had developed versions of TPA.

Monsanto and Invitron said that they believe the suit is without merit and that they intend to contest the claims vigorously.

UK COMPUTER GROUP TO CREATE SUBSIDIARIES IN EUROPE AND AUSTRALIA

Amstrad surges past forecasts

BY DAVID THOMAS IN LONDON

AMSTRAD, the UK computer and consumer electronics group, confounded City of London expectations by reporting a 26 per cent jump in pre-tax profits to £90.12m for the half year ending December.

Analysts had been expecting more modest results after Mr Alan Sugar, the company's outspoken founder and chairman, gave a warning that this would be a year of consolidation following a string of years in which profits had doubled.

Mr Sugar conceded yesterday that "consolidation" had been an unfortunate choice of words, since it was interpreted by analysts and journalists "as a typical excuse given by company chairmen when no growth potential exists."

However, sales increased 28 per cent to £351.06m (\$630m), largely because of a pre-Christmas surge in demand for Amstrad's computers, which left the company entering the new year with unsatisfactorily low stock in Britain, France and Spain. "We sold far more goods than we anticipated," Mr Sugar said yesterday.

Mr Alan Sugar, left revealed plans to expand Amstrad's overseas presence, which already accounts for 61% of sales. It claims to lead the market for home and personal computers in France and Spain and says it is taking market share from the Japanese in video recorders in the UK, Spain and France. On North America the company is more cautious.

The October stock market crash had had no effect on demand, Amstrad said. The only impact of the crash detected by Mr Sugar was "the most ridiculous underrating of our company's stock price."

The stock market made some amends yesterday by marking the price up 5½p at 135½p.

Mr Sugar unveiled further elements of his plan to build up Amstrad's overseas presence, which already accounts for 61 per cent of sales.

The company is creating a West German subsidiary with the aim of making Germany its biggest European market within a few years.

It is also planning subsidiaries in Belgium, the Netherlands and Australia within the next six months.

Amstrad already claims market leadership in home and personal computers in France and Spain, as well as in audio products and printers in Spain, where it is discussing establishing a manufacturing base with the Spanish authorities.

The company says it is taking market share from the Japanese in video recorders in the UK, Spain and France.

Amstrad is more cautious about North America, renowned as a graveyard for British computer companies. Mr Sugar said he intended to penetrate the the US "error free," although he claimed that sales of Amstrad computers are already beginning to register in market research statistics there.

CBS earnings rise by 21% for full year

By Our New York Staff

CBS, the New York-based broadcasting company, made net profits of \$251m or \$9.73 a share in the fourth quarter against \$223m or \$9.35 a year earlier.

For 1987 as a whole net income rose 21 per cent to \$452m or \$17.74 a share.

Both quarterly and annual results were substantially affected by the aggressive programme of disposals undertaken by Mr Laurence Tisch, chairman, to turn CBS into a pure broadcasting company.

In October Mr Tisch sold the large magazine publishing division and last month sold CBS Records to Sony of Japan.

Income from continuing operations was \$136m or \$5.21 a share for the year, against a restated \$74.2m or \$2.62 a share for 1986.

VW targets Europe with spring launch

BY KEVIN DONE, MOTOR INDUSTRY CORRESPONDENT

VOLKSWAGEN, the West German automotive group, announced yesterday that it is to launch a new version of its Passat saloon and estate car in European markets during the spring.

The development of the new model range has involved an investment of around DM1.2bn (£400m).

Although VW is the leading West European car producer with sales in Europe last year of around 1.9m cars (including Audi and Seat), it has remained highly dependent on the success of the Golf, the best-selling car in Europe last year.

The new Passat model is part of the group's attempt to broaden its presence in European markets, and secure a higher penetration of the medium and upper medium market segments.

The new Passat will be competing at the lower end with models such as the Ford Sierra and Vauxhall Cavalier/Opel Ascona (also due for replacement later this year) and Peugeot 405, as well as further up market with models such as the Vauxhall Carlton/Opel Omega and Ford's Granada/Scorpio.

The Passat, which is to be unveiled at the Geneva motor show at the beginning of March and launched in European markets during the spring, will be available as both a saloon and estate and with three trim levels, CL, GL and GT.

It will have a transverse engine and VW claims that it will have more interior space for passengers and luggage than is in most large cars.

Imasco posts 40% advance to C\$245m

By Robert Gibbens in Montreal

IMASCO, the Canadian fast-food, tobacco products, retailing and financial services group, posted a 40 per cent increase in earnings in the nine months to December 31.

Net profits were C\$245m (US\$193.5m) or C\$1.96 a share, against C\$1.75m or C\$1.45 on fewer shares outstanding. Nine-month revenues rose to C\$4.6bn from C\$4.3bn a year earlier.

In the December quarter, earnings rose to C\$97.8m or 79 cents a share from C\$66.4m, or 53 cents a year earlier, on revenues up to C\$1.6bn from C\$1.5bn.

Imasco altered its year-end from March 31 to December 31 to phase the rest of its businesses with Canada Trustco.

Wall St sceptical about Icahn tactics

BY RODERICK ORAM IN NEW YORK

WALL STREET reacted sceptically yesterday to attempts by corporate raiders to win control of the boards of Texaco and American Standard through shareholder proxy fights.

Share prices of both companies slipped back \$¼ to \$38 and \$67 respectively as investors realised the difficult tasks facing Mr Carl Icahn, Trans World Airlines chairman, and Black & Decker, the power tools group, in pursuit of their targets.

Mr Icahn's nomination of a slate of five directors for Texaco was an abrupt change of tactics after assuring the oil company's creditors he would not seek seats because he believed board splits were damaging. Analysts saw it as another attempt by Mr Icahn to drive up Texaco's stock price.

His room for manoeuvre has been severely cramped by new takeover statutes in Delaware, the state in which Texaco is incorporated. If he raised his present stake of 14.8 per cent beyond 15 per cent he would have to bid for at least another 70 per cent or agree not to seek control for three years.

He would also be barred from selling any Texaco assets if he owned less than 85 per cent of the company. Winning boardroom control would, however, give Mr Icahn a large say in Texaco's plans to sell assets and restructure itself to finance its emergence from bankruptcy. Moreover, he could force the removal of Texaco's poison pill takeover defences.

Cray Research launches \$20m computer

By Roderick Oram in New York

CRAY RESEARCH, the Minneapolis-based supercomputer maker fighting back against flagging growth and Japanese competition, has introduced a powerful \$20m machine which establishes new performance standard.

The Cray Y-MP is the first computer in the world to break up complex mathematical equations between eight central processing units to speed up the calculations.

It will offer scientists and engineers significantly better three-dimensional mathematical modelling of, for example, vehicle components and the molecular structure of drugs.

INTERNATIONAL COMPANIES AND FINANCE

Paul Betts reports on the latest frenetic moves in the takeover battle for La Générale

Suez and Gevaert play the Belgian card

MR CARLO De Benedetti has suffered a serious reverse in his campaign to gain control of Société Générale de Belgique, Belgium's biggest industrial and financial holding company.

During the nights of Wednesday and Thursday, after a day of hectic negotiations, Compagnie Financière de Suez, the French privatised financial group, reached an agreement with Mr André Leysen, the Flemish businessman who has become the central figure in the epic takeover battle for La Générale.

Between them, Mr Leysen and Suez claim to control about 43 per cent of La Générale. But if the other "friends" of the Belgian company are added, including France's Compagnie Générale d'Electricité (CGE) and Lazard, the Leysen-Suez combination say they hold about 60 per cent.

The battle though is by no means over. Mr Patrick Ponsolle, one of Suez' managing directors, remarked a few hours before Suez struck its deal with Mr Leysen: "We are confident but not triumphant."

In fact there were increasing doubts last night whether the agreement in principle would be signed today. A number of Belgian allies of Mr Leysen were understood to be having second thoughts because of the cost of the operation, the implications for the future of La Générale and concern over Mr De Benedetti's next move.

Even the Leysen-Suez camp acknowledged yesterday that not all their Belgian shareholders agreed with the scheme.

Barely a few hours after the announcement of the Leysen-Suez agreement, Mr Alain Minc, Mr De Benedetti's principal lieutenant in the takeover battle, was saying defiantly on French radio that the contest was by no means over.

He suggested that the Italian businessman and his followers had more than a fighting chance and that the allies in Mr Leysen's camp were by no means secure.

Mr De Benedetti and followers – including Shearson-Lehman – are understood to have built up a 37 per cent stake in La Générale.

However, the tide has undoubtedly turned against the Italian. Commented Mr Ponsolle: "Mr De Benedetti thought he could wage a swift Italian campaign which nothing could resist."

After a hesitant start, the Belgians finally put together a successful resistance to Mr De Benedetti.

This emerged in the form of Mr Leysen and his Gevaert group. Behind Gevaert was also Paribas, the privatised French banking group with historic links with Belgium and the traditional rival of Suez in France.

Through its Belgian holding company Compagnie Belge de Participation (Cobepa), Paribas is a big shareholder in Gevaert.

Paribas clearly intended to play a discreet but central role in the takeover battle.

Its strategy from the beginning was to play its Belgian card to the full. With its important Belgian links – apart from Cobepa, Paribas also controls one of Belgium's biggest commercial banks – Paribas decided to entrust its interests in La Générale to its Belgian arm.

Paribas has not acquired directly any La Générale shares but its Belgian Cobepa subsidiary is believed to have accumulated about 9 per cent as part of Mr Leysen's 27.5 per cent block.

Paribas's analysis was that the final solution had to be a Belgian one and that management control of the company would inevitably have to remain in Belgian hands in view of the group's weight in the country. That analysis now appears to have been accurate.

Although Lazard has officially acted as La Générale's defence adviser, Mr De Benedetti soon realised that the game was moving into Mr Leysen's and Paribas's court. Even before Suez went to see Paribas, Mr De Benedetti held talks with Paribas in Paris.

Paribas appears to have been initially open to Mr De Benedetti's approach but the strategy of the Italian businessman and the French banking group soon emerged to be fundamentally different.

As long as Mr De Benedetti continued to insist on playing a dominant management role in the Belgian group rather than entrusting it to Belgians, it was difficult for Paribas and Mr De Benedetti to agree.

Mr De Benedetti also held talks with Mr Leysen, but the problem was always the question of the future management control of La Générale even though, at one stage this week, the De Benedetti camp claimed an agreement was near between the Italian and the Flemish businessman.

In the meantime, Suez was also actively talking to Mr Leysen.

From the beginning, Suez has been implicated in the battle for La Générale. Furious at not having been informed by Mr De Benedetti of his plans to launch the spectacular takeover bid – even though the Italian is a shareholder of Suez, sits on its board and Suez is a shareholder of Mr De Benedetti's French holding company Cerus – Suez acquired a 10 per cent stake in La Générale.

Suez had been forging increasingly close links with La Générale during the past two years and, before Mr De Benedetti's bid, had intended to acquire a 4 per cent stake in the Belgian group this summer with La Générale increasing its 1.5 per cent stake in Suez by a few more percentage points.

Suez and its friends – including Lyonnaise des Eaux, the water distribution group, and the Victoire insurance group – proposed to Mr Leysen an alliance which would closely link the French financial group and its friends in the new controlling shareholding structure of La Générale.

Unlike Mr De Benedetti, Suez emphasised that it wanted La Générale to remain a Belgian company under Belgian management but with a series of new European (essentially French) partners.

In this respect, Suez and Paribas saw eye to eye on the need to preserve the Belgian identity of La Générale. And this appears to have tilted the balance during the last 48 hours in favour of the French, rather than the rival Italian-led camp.

Yet although the Franco-Belgian camp has clearly won an important victory it has by no means won the war. The big question is, what will Mr De Benedetti do next?

With his large block of La Générale shares – even more if his public offer for an additional 15 per cent is successful – his powerful voice will have to be heard. However, Mr De Benedetti now has less room to manoeuvre despite his success this week in blocking in the courts La Générale's poison pill takeover measures.

The Belgians, with the help of their French "white knights," have managed to create around La Générale a coalition. The problem is whether this coalition will also be able to embrace Mr De Benedetti and his friends.

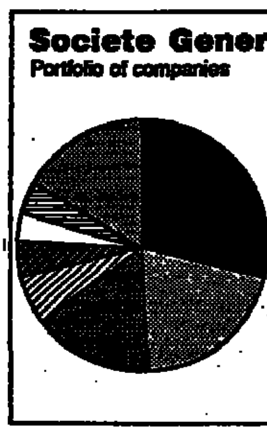
Mr De Benedetti said this week he was prepared to enter an agreement with Mr Leysen based on "equal shareholder" participation but on the condition that an "effective" management was installed at La Générale. The Italian businessman also offered Mr Leysen the chairmanship of the Belgian group.

It is unlikely, to say the least, that Mr De Benedetti will be prepared to play second fiddle at La Générale. And at this stage it is difficult to see how Mr De Benedetti would fit into the new power sharing structure if he fails to win outright control of the Belgian group.

The *dénouement* of the La Générale saga is still extremely uncertain and new *coup de théâtres* could take place at any moment. Mr De Benedetti will undoubtedly intensify the pressure and try to regain the edge over his rivals.

The battle could end rapidly. Equally it could drag on for weeks or months. The stakes are huge – not only in terms of controlling Belgium's most important enterprise, with a stock market value of about $3.9bn, but for the credibility of all the competing players

Societe Generale de Belgique
Portfolio of companies — Total BFr. 100.65bn



Financial services	28.8%
Electronics, Telecommunications and Media	20.3%
Non-Ferrous Metals	15.6%
Cement	6.3%
Diamonds	4.7%
Chemicals	3.5%
Transport International Trading	3.9%
Other Holdings	16.9%

HOW THE CAMPS CLAIM TO COMPARE

Group	Shares in La Ge'ne'rale
Leysen group	28%
Compagnie Financie're de Suez plus friends	15%
Compagnie Ge'ne'rale d'Electricite'	4.5%
De Benedetti	18.6%
De Benedetti followers	18%

Self-made Flemish industrialist holds the ring

Tim Dickson on André Leysen, the Gevaert chairman standing in the way of De Benedetti

DO AND SEE is the title of a widely quoted book written by Mr André Leysen. But as the 60-year-old Flemish businessman yesterday spelled out the details of his proposed shareholder alliance to keep the embattled Société Générale de Belgique in predominantly Belgian hands, there was nothing he could do but wait and see.

He has given the various investors in his camp a 10am deadline this morning to commit themselves fully to a formal affiliation agreement which would give him and Compagnie Financière de Suez a claimed 43 per cent stake in La Générale.

On top of this there is a 4.5 per cent stake owned by Compagnie Générale d'Electricité, the French telecommunications group, which is understood to share Mr Leysen's aims but wants to act independently. And there are "a few more friends which I am sure will give us a substantial majority in a general assembly of the company."

With doubts about the whole operation said to be creeping into the minds of some Belgian shareholders last night, and renewed claims of strength from the De Benedetti camp, there is no telling what could happen today.

But even if Mr Leysen gets the "red light," as he put it yesterday, from some of his friends, he has so far played a remarkable part in at least denting the ambitions of the smooth-talking and hitherto highly successful Italian entrepreneur.

Mr Leysen is a self-made man. He started his career in the early 1950s in a shipping company run by his father-in-law. He turned this round, sold his stake and invested the proceeds in a range of other, mostly financial, businesses in the late 1960s and 1970s.

He first sprang to national prominence in the mid-1970s as saviour of the Flemish newspaper De Staandard, but was probably best known from 1979 as chairman of the Agfa Gevaert photographic business which he ultimately sold to Bayer, the German chemicals group.

Besides being chairman of the holding company Gevaert, through which the La Générale rescue has been conducted, he is a director of Bayer, sits on the surpervisory board of Philips of the Netherlands and of Groupe Bruxelles Lambert and is vice-president of the European Employers' Federation (Unice).

The tag of "the Belgian De Benedetti" is certainly richly deserved. His astute media performances convey a mixture of charm, humour and thoughtful precision when it comes to answering awkward questions. The question of whether he has a coherent industrial and financial plan for restructuring La Générale, however, is one that has not yet been satisfactorily answered.

Mr Leysen has always emphasised his admiration for Mr De Benedetti and in talks over the last couple of weeks he must have been genuinely tempted to join forces with a man apparently prepared to offer him the prestigious top job at La Générale.

Mr Leysen, however, has stuck firm to his belief that there must be a strong Belgian "anchor" to the company's share capital and that no single stakeholder should be allowed overall management control.

The deal with Suez provides for the French group and its friends to cede 5 per cent to Mr Leysen's Belgian investors – making it a two to one split – which is a degree of national protectionism which Mr De Benedetti either misjudged or thought he could disregard.

At the lively press conference in Brussels yesterday, Mr Leysen confirmed his plan to abolish the post of governor at La Générale, to set up a two-tier supervisory board

André Leysen: set deadline for friendly investors

He indicated that this could be run by "a man with a pipe," a clear reference to Viscount Etienne Davignon, the former EC steel commissioner and now a La Générale director whose role in the future of the company has been the subject of much speculation.

Norsk Hydro lifts payout as profits surge

By Karen Fossli in Oslo

HELPED BY a strong recovery in selling prices, notably for aluminium and petrochemicals, Norsk Hydro, Norway's largest group, yesterday reported a surge in profits out of losses and an increased dividend.

The group made a net profit of NKr1.83bn ($286m) in 1987 against a loss of NKr374m after tax for the previous year. The dividend is being restored to NKr6 a share – its 1985 level – from the NKr4.50 paid in 1986.

Hydro said the improvement was due to better results in most business areas. Progress was particularly marked in petrochemicals and aluminium.

Operating profit in the light metals division jumped from NKr868m to NKr1.63bn.

Mr Torvild Aakvaag, president, said that although a cost reduction programme which the company was undertaking was on schedule, its full effect was not apparent in 1987.

The marked improvements in petrochemicals, aluminium and fertilisers, which contributed to the group's positive result, were augmented by favourable foreign exchange gains, the company said.

The petrochemicals division showed a Nkr923m operating profit last year, compared with a NKr218m loss in 1986. Because of considerable competition from imports, prices in European markets had not risen to a satistactory level, Hydro said. The oil and gas division saw 1987 operating profit drop to Nkr1.62bn from Nkr1.67bn.

French minister delays UAP privatisation plan

BY GEORGE GRAHAM IN PARIS

MR EDOUARD BALLADUR, the French Finance Minister, has abandoned hopes of privatising Union des Assurances de Paris (UAP), the country's largest insurance group, before the presidential election in April.

Shrugging off suggestions that he might not remain in power after the election, the minister said yesterday that he still hoped to privatise UAP at the end of May or the beginning of June.

He added he had given UAP permission to go ahead with discussions it is conducting with foreign and French companies which could result in the creation of a number of crossed-equity holdings.

Mr Balladur said the success of the privatisation of Matra, the defence and electronics group which had drawn 300,000 subscribers, had demonstrated that the stock market still had potential, in spite of the October crisis. It would be impossible to complete preparations for floating UAP before the end of March.

UAP, which has about 12 per cent of the French insurance market and about FFr100bn ($17.5bn) in funds under management, played a crucial role in Mr Balladur's privatisation plans because of its strategic stakes in French industry.

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INTERNATIONAL COMPANIES AND FINANCE

More Coke bottling interests for Amatil

By Our Financial Staff

AMATIL, the Australian food, tobacco and beverage group 41 per cent-owned by BAT of the UK, has continued an acquisition programme aimed at extending its Coca-Cola bottling franchise operations.

The latest deal, with Rheem Australia, gives it beverage businesses in Queensland and Fiji for A$45m (US$32m). Mr Dean Wills, chairman, told Amatil's annual meeting that completion of that deal, expected by April, would lift its share of the Australian Coca-Cola bottling business to about 83 per cent from 80 per cent.

Amatil is currently making a A$220m contested bid for the Adelaide-based C-C Bottlers, which has the remaining market share. However, C-C Bottlers shares have risen on the stock market to A$3.10, above Amatil's bid of A$2.85 a share.

Amatil has also stepped up its European presence by acquiring its fourth Coca-Cola franchise in Austria. This covers the St Pölten area and, when added to its existing operations in Vienna, Graz and Mödling, takes its market share in that country to nearly 50 per cent. No price was disclosed.

Mr Wills said Amatil was on target for an increase in profit in the current year to October but gave no details. Net earnings for 1986-87 were A$85.3m on sales of A$2.1bn.

Rheem is selling the Queensland and Fiji businesses as part of a divestment programme. Broken Hill Proprietary is at the same time planning to dispose of its 61 per cent stake in Rheem.

● Security Pacific, the Australian merchant bank arm of the West Coast US banking group, lifted net profit to A$19.95m last year from A$9.35m. It said the gain reflected a broadening of its business base but it now expects a consolidation phase and slower profit growth.

Consolidated assets were A$2.09bn at the year-end, compared with A$1.76bn.

Debt repayments hit Sidor profits

BY JOE MANN IN CARACAS

SIDOR (Siderurgica del Orinoco), Venezuela's largest steelmaker, earned net profits of $27.2m in 1987 on sales of $897m, down from $70.3m in 1986, despite record operating profits of $154.3m.

Mr Cesar Mendoza, president of the state-owned company, said in an interview that net profits were negatively affected by service payments on the company's long-term foreign debt and by extra expenses for a government foreign exchange guarantee, which cost $117.2m in 1987 alone.

Sidor's performance has improved markedly in recent years and, under Mr Mendoza – who assumed the presidency in 1984 – management has been able to obtain significant increases in production, productivity and operating profits.

Several years ago Sidor was viewed as one of the most inefficient and deficit-ridden companies in Latin America.

Production of liquid steel in 1987 reached a record 3.3m tonnes, up from 3.03m tonnes in 1986. The production target for 1988 is 3.6m tonnes, out of installed capacity of 4.8m tonnes.

The company will invest $1.23bn between now and 1991 in new projects and programmes to upgrade existing facilities. One important project, expansion of the tubular products plant to about 200,000 tonnes a year, will use pipe-fabricating machinery from Italimpianti.

Modification of the four existing Siemens-Martin steel furnaces at the plant will be carried out by Mannesmann of West Germany and Rokop Engineering of the US.

Sidor last year exported 939,000 tonnes of products to Asia, North Africa, the US, Canada, Latin America and the Caribbean and the EC.

A new client is the Soviet Union, which purchased 12,000 tonnes of oil drilling pipe in 1987. The Venezuelan company is now negotiating the sale of another 20,000 tonnes and hopes to sell the USSR an additional 50-60,000 tonnes later this year.

Sidor's president said that if the Venezuelan Government helped to ease the company's long-term debt burden, which was built up during a previous expansion programme, its profit picture would improve.

The Government some time ago agreed to capitalise $600m of Sidor's long-term debt, but has not yet provided the company with these funds. Short-term financing, however, is no problem for the company. International banks are providing Sidor with substantial short-term credit lines for its trade operations.

Mr Mendoza added that the financial outlook for this year depended mostly on obtaining higher prices for its products. The company expects stronger domestic and foreign sales, but it absorbed record inflation of more than 40 per cent last year.

Sidor has asked the Government to approve a general price increase of 16 to 18 per cent for products sold on the domestic market. But since 1988 is an election year and the Government is trying to avoid any big price increases, approval is far from certain.

Leighton only just ahead at midway

By Our Financial Staff

LEIGHTON HOLDINGS, the Australian building and contracting group which is 45 per cent owned by Hochtief of West Germany, made progress in its first half to December, but a 12.2 per cent boost in turnover to A$759.4m (US$540.1m) managed to add only A$1.1m to net profits which reached A$4.2m.

Further divestment of underperforming assets should see an improvement in its profitability in the current six months, it said, adding that work in hand now stands at A$1.1bn with a further A$268m in management contracts.

Leighton said the performance of Green Holdings, its US associate, remained unsatisfactory and an effort was being made to resolve its future ownership and operational direction.

Market conditions in Australia are expected to remain solid in the construction area but last October's stock market crash has led to some uncertainty in the commercial property sector.

Net earnings per share rose to 3.7 cents from 2.9 cents but the dividend is again being omitted.

US Bowater 'in good shape'

BY MAGGIE URRY

BOWATER INC, the US paper group which recently announced record profits for 1987, says its balance sheet is in good shape to face a possible slowing of economic activity although there is no sign of a recession affecting the group's business at present.

According to Mr Anthony Gammie, chairman, "There is bound to be a recession – the questions are when and how deep?" He was speaking in London during a visit to UK analysts and investors. Roughly 30 per cent of the group's shares are held in the UK.

At the 1987 year-end, Bowater's balance sheet showed total debt to total capital invested down to 28.2 per cent from 49.0 per cent in 1986. The return on equity was 13.1 per cent and Mr Gammie expects a rise during 1989 towards the 20.2 per cent achieved in 1984.

Capital expenditure of $186m planned in 1988 would be met from cash flow. In the longer term, Bowater may replace its kraft mill in Tennessee, which is 30 years old. That project would cost $180m to $200m over two or three years and would be financed from cash flow and short-term debt.

Newsprint, the largest contributor to group profits, is still in tight supply. Bowater estimates that operating rates in North America will remain in the mid to upper 90 per cent bracket over the next four years, despite new capacity coming on stream and only modest rises in usage.

In lightweight coated paper, used for magazines, Bowater said a recent 22 per cent price rise was expected to hold. Bowater's new LWC machine started production in mid-1986 in time for a strong rise in demand, 7.1 per cent, in 1987.

Prices for market pulp have risen for nine successive quarters. However, Bowater feels that another rise in April is not certain. Prices are affected by the level of the US dollar and Bowater exports 73 per cent of its pulp, mainly to Europe.

Key role at Kupe for Brierley

BY OUR FINANCIAL STAFF

BRIERLEY INVESTMENTS (BIL), Sir Ron Brierley's New Zealand master company, has assumed a key management role at Kupe, a property company which has been entangled in the troubles surrounding Mr Bruce Judge's investment empire.

BIL, which disclosed last week that it holds a 9.9 per cent stake in Kupe, has taken management control together with Euro-National, a financial services group in which Mr Judge also had an interest and which has been trying to sell its 47 per cent shareholding in Kupe.

Mr Judge's Judge Corporation, the original intended purchaser, was unable to complete the deal following the October equity market collapse.

On Wednesday, Kupe said that it had sold its 4.3 per cent holding in Ariadne Australia, which has been the main vehicle for Mr Judge in that country, to Mr Larry Adler's FAI Insurances Ltd for A$8.5m (US$6m) or 41 cents per share.

FAI is backing a rights issue by Ariadne and, depending on the outcome, may emerge with effective control.

Euro-National said that it could not allow its investment in Kupe to fall in value while a buyer is sought. Under the terms of an agreement unravelling the Judge Corporation deal, the new shareholder is meant to be compatible with Kupe.

In the meantime, Mr Richard Sealy, Euro-National's deputy chairman, has been appointed managing director of Kupe.

● BIL has increased its shareholding in NZI, the leading New Zealand insurance and financial services group, by about 2.5 per cent to stand at 34.8 per cent.

● Fletcher Challenge, the forestry group which is the country's biggest company, has issued 45m new shares at NZ$4.05 each to the Fletcher Challenge Unit Trust, its own employee benefit fund, raising NZ$182.2m.

This increases the trust's stake in the company to some 19 per cent from 15 per cent, in an allotment which Fletcher said was made to help finance its purchases in North America and maintain the debt-to-equity ratio at about par.

Campeau renews offer for Federated

By David Owen in Toronto

CAMPEAU, the Canadian property and retailing group, has renewed its US$5.5bn offer for Federated Department Stores, this time with backing from Edward J. De Bartolo Corporation and Olympia & York Developments.

The move follows Federated's statement last week that it would consider Campeau's $61 a share merger proposal if and when the Toronto-based company came up with "satisfactory evidence of financing commitments" for its bid.

In the latest announcement, Campeau confirmed that it has arranged equity financing for the transaction and said it was writing to Federated detailing its plan and again requesting a meeting with the Cincinnati company's board.

Campeau said Edward J. De Bartolo Corporation had agreed to provide a $400m loan facility to Campeau's US holding company to be used as equity. In addition, the Toronto-based Olympia & York, which holds a 10.5 per cent stake in Campeau, has agreed in principle to purchase $260m of Campeau equity securities.

●Nova Corporation, the Alberta energy and petrochemical group, has raised its offer for 13m shares in the rival Polysar Energy and Chemical to C$16 a share from C$14, Robert Gibbens adds from Montreal.

Polysar directors yesterday described the revised bid as "still inadequate." They had earlier said its stock was really worth more than $20 a share. Polysar is the former Canada Development Corporation, a conglomerate thinned down to its energy and petrochemical assets.

Success for Nova would increase its voting interest in Polysar to 25 per cent, at which point it would seek the rest of the stock.

Polysar earlier this week decided to launch a C$900m (US$710.9m) capital restructuring which would provide cash and securities worth C$11.20 to each shareholder. Noranda, which holds more than 10 per cent of Polysar, had approved this plan.

Better results at NEI Africa

NEI AFRICA, the South African subsidiary of Northern Engineering Industries of the UK, increased sales and profits in 1987, **Jim Jones Reports from Cape Town.**

Turnover rose to R392m ($193.1m) from R327m and the pre-tax profit was R40.7m against R32.4m.

Mr Blitz Bieber, the managing director, says International Combustion, its boiler manufacturing subsidiary, has contracts for power station equipment running to 1993 but that the lack of private and public sector capital spending is a matter for concern.

Net earnings increased to 450.3 cents a share from 391.9 cents and the year's dividend has been lifted to 180 cents from 160 cents.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Stefan Wagstyl on how a MoF tax change may prompt Japanese participation

Tokyo banks wary over Mexico debt plan

JAPANESE BANKS have reacted warily to an international scheme to reduce Mexico's debts through a $10bn auction of Mexican government bonds.

Some Japanese banks, Mexico's second largest group of creditors after US banks, have serious doubts about the plan put forward by the Mexican Government for converting foreign debt into bonds.

But other Tokyo bankers believe that most of the 28 Japanese banks owed money by Mexico will participate in the scheme – thanks largely to timely changes in tax rules announced last month by the Ministry of Finance.

Mr Yusuke Kashiwagi, chairman of Bank of Tokyo, said yesterday: "I am not very optimistic (about Japanese participation) . . . . But we will have to wait for more information about who is doing what. In many (such) cases somebody is a cheerleader. In this case there is no cheerleader."

Banks around the world have until February 19 to decide whether they will take part in the auction. Mr Kashiwagi said that for many Japanese banks it could be a last-minute decision.

Mr Kashiwagi's comments echo remarks made last week by Mr Kenichi Kamiya, president of Mitsui Bank, who said the plan was a "positive move" but had "many problems." Among them was the fact that it was unclear whether the proposal was to be seen as a rescue for Mexico or a purely commercial deal.

The scheme, announced in December by Morgan Guaranty, the US bank, calls for the Mexican Government to issue up to $10bn in bonds in an auction in exchange for existing bank debt.

The banks are being invited to bid for the bonds offering debt, discounted on the face value of their debt. In return, the new bonds will be guaranteed by up to $10bn face-value of US government 20-year zero-coupon bonds which the Mexican Government will buy for up to $2bn.

Japanese banks dislike the fact that, while the principal of the new bonds is guaranteed by the US Treasury, the interest is not. They also fear that the new bonds might be further discounted in secondary market trading.

Moreover, some Japanese banks are concerned that if they accept this scheme, Mexico will offer further tranches of its debts to be written down in a similar way – and that other debtor countries may follow.

Underlying this position is bankers' traditional reluctance to accept that debts will not be repaid in full. Unlike US and European banks, which have made provisions for roughly 30 per cent of their Third World debt, Japanese banks have provided for just 5 per cent of their $9bn worth of Mexican debt. That is the ceiling set by the Ministry of Finance for the amount of problem country debt that can be written off against tax.

Uniquely for the new scheme, the MoF has said it will allow tax exemptions for the full extent of any loss suffered in accepting the new Mexican bonds.

However, these losses would have to be declared and would hit bank profits more severely than in other countries, since banks elsewhere which have already made large provisions for their Mexican debt may not have to make any additional provisions as a result of the new scheme.

The impact of these losses on Japanese banks would vary. So the decision to take part will be viewed differently by each bank.

Some bankers believe the MoF, having eased the tax rules, may now expect them to participate. They may be encouraged to do so by the fact that the ministry is considering raising the provisions allowed for bad loans to Third World countries from 5 per cent to 10 per cent.

Mr Kashiwagi says Tokyo bankers are watching one another carefully to see what their competitors will do. "It's the Japanese style," he says.

By delaying, the banks may try to put pressure on Mexico to improve its terms. Those who still do not like the scheme but feel obliged to take part can use the emergency exit at the auction – by bidding too low.

JAPANESE BANK EXPOSURE TO MEXICO

September 1987 (Ybn)	Exposure	Hidden reserve
Bank of Tokyo	655.1	1,484
DKB	385.7	3,850
Sumitomo	409.0	3,272
Fuji	332.2	3,406
Mitsubishi	353.7	3,763
Sanwa	337.0	3,060
Tokai	303.2	2,325
Mitsui	220.9	2,483
Taiyo Kobe	178.6	1,793
Kyowa	92.7	1,430
Daiwa	99.4	1,308
Saitama	101.1	862
Takushoku	108.5	801

Source: Japan Financial Report

First profit fall at CSFB in eight years

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

THE CREDIT Suisse First Boston group suffered a 19 per cent fall in its Swiss franc-denominated profits last year after seven successive years of gains.

Strong increases in revenues from investment banking and investment management activities failed to offset sharp drops in revenues from trading and in the company's 40 per cent share in the earnings of First Boston, its Wall Street affiliate.

With many securities houses cutting staff in response to difficult market conditions, the group expects this year to shed 5 to 10 per cent of its 1,293 total staffing as of the end of last year. Mr Jack Hennessy, president and chief executive, said this was being done by attrition and that 40 to 50 jobs would go in London.

Consolidated earnings of Financière Credit Suisse First Boston, the holding company for the eponymous Eurobond issuing house as well as other capital markets and investment management activities, were SFr182.8m ($131.9m) in 1987 compared with SFr225.8m in 1986. Revenues fell from SFr503.8m to SFr471.9m. Shareholders' equity rose from SFr839.7m to SFr935.5m

Investment banking revenues rose by 60 per cent to SFr243.3m and investment management revenues advanced by 31 per cent to SFr58.9m. But net revenues from trading operations fell 44 per cent to SFr105m and investment and interest income – principally representing equity in undistributed earnings of First Boston – was 45 per cent lower at SFr64.5m.

Mr Hennessy said, however, that in dollar terms 1986 and 1987 profits were about the same. In 1986, they had risen from $93m to $135m.

All the 1987 profits, he said, had been made before the October 19 stockmarket crash, though the group had broken even in October and both November and December had been "break-even type months."

While 1987 was the year of the equity, he said, 1988 would produce a more mixed performance, with income likely to be strong from investment banking activities such as mergers and acquisitions.

Even without strong equity markets, he said: "The underlying trend of corporate restructuring is going forward." Government bond markets would also be important in 1988, he added and a further increase in investment management income was expected.

In the UK gilt-edged market, Mr Hennessy said, CSFB had a 5 to 7 per cent market share and made a slight loss in 1987. But he stressed that it was important for international investment banks to participate in liquid government bond markets.

Mr Hennessy did not rule out changes in the organisational structure of Credit Suisse, CSFB and First Boston, though none was planned at present. Both Credit Suisse and First Boston have stakes in CSFB, with CSFB also holding its stake in First Boston.

Last year, the capital markets activities of CSFB and Credit Suisse became more integrated with the move of Mr Hans-Jörg Rudloff, deputy chairman of CSFB, to Zurich where he is now also a member of the Credit Suisse executive board.

Mr Hennessy said: "We probably will make more changes but we don't know what they will be," adding that they would depend on market conditions and on obtaining the most efficient structure. In Japan, for example, all three partners currently have operations.

He saw no immediate changes for CSFB arising from the defection last week of First Boston's top mergers and acquisitions executives.

The annual report said that CSFB itself – which lost its number one ranking among Eurobond new issue managers last year to Nomura – turned in record results and that the group's Eurobond trading arm had a record turnover. CSFB Investment Management saw assets under management rise 55 per cent

The consolidated net income was arrived at after SFr179.6m of personnel costs and SFr126m of general administrative costs, both up on 1986, provisions of SFr23.1m, and net exchange adjustments of SFr10.5m.

Tax took only SFr16.7m, down from SFr29.2m. The group's fixed assets rose from SFr95.3m to SFr325.6m following the purchase of a lease on the future Canary Wharf site in London's Docklands.

Merrill to reorganise equity side

By Our Euromarkets Staff

MERRILL LYNCH Capital Markets, the wholesale business arm of the US investment bank, is bringing together all its international equity business into a new division to be headed by Mr Jack Lavery, former head of its research department, as part of a reorganisation announced in New York yesterday.

The international equity business division will comprise trading, syndication and equity research, but will share responsibility for sales with the broker-dealer department which also covers sales of fixed interest securities.

The other changes aim at clearer definition of existing departments within Merrill Lynch Capital Markets, with the aim of achieving tighter cost control and closer integration of international business.

Mr Roger Vasey has responsibility for global debt financing, which covers such activities as corporate bond trading and underwriting, and interest rate and currency swaps. Government bond dealing is to be carried out within the global broker-dealer division which also includes all sales, while debt research will be divided between the two departments.

Mr Barry Friedberg becomes manager of a global investment banking division, comprising Merrill Lynch's corporate finance activities, while an international division will have overall responsibility for Merrill's five business regions.

Mr Richard Lutyens, who has headed international equity syndication at Merrill in London for the past 2½ years, is leaving to establish a niche investment bank with Mr John Campbell, a former Noble Grossart executive, Alexander Nicoll writes. Their firm, Campbell Lutyens, will specialise in mergers and acquisitions with particular emphasis on the UK, US and Australia.

Mr Lutyens, 39 and formerly with S.G. Warburg and Goldman Sachs, stressed that his departure had nothing to do with the Merrill reorganisation.

Toronto SE under fire over sackings

By David Owen in Toronto

THE RECENT dismissal of 20 Toronto Stock Exchange employees has revived a sometimes acrimonious debate over the way in which the exchange should restructure in the increasingly competitive global securities environment.

The fundamental issue is whether traditional face-to-face trading still has a role to play. Currently, the exchange's computer-assisted trading system handles 50 per cent of the listed stocks, accounting for more than 20 per cent of trading volume.

The debate was meant to have been put on ice pending the completion this summer of a study by management consultants into the ramifications of floor automation at the exchange.

But the dismissals have raised the hackles of the Professional Traders' Association, which maintains that they jeopardise traders' chances of a fair hearing for an experimental post combining face-to-face and computer trading, which is being offered as one possible model for the restructuring of the exchange.

Canadian dollar deals meet good responses

BY CLARE PEARSON

MOST EUROBOND syndicate managers took a breather from new issue activity yesterday ahead of today's December US trade data, which will be closely watched by the market. Just two new Canadian dollar deals emerged.

After a strong start, seasoned Eurodollar bond prices were hit during the afternoon by the announcement of a larger-than-expected 0.5 per cent rise in US retail sales during January. Price losses cancelled out most of the early gains in the market, where bonds had opened as much as ½ percentage point higher in the 10-year area.

In the primary market, prices of recent Eurodollar bonds were marked down slightly though a $100m seven-year bond for Mercedes Benz Credit Corporation was still quoted well within 1⅞ per cent fees at less ¾ bid. A $300m three-year issue for Portugal was quoted at less 1.45 bid, just outside its fees.

The bid price on a $250m 7¾ per cent three-year issue for General Electric Credit Corporation, launched on extremely aggressive terms on Wednesday by LTCB International, was apparently supported by the lead-manager at less 1⅞, on the fees. But dealers said they had seen little buying interest in the issue.

Yesterday's two Canadian dollar bonds, for British Columbia and Deutsche Bank Finance Curacao, both met good responses. Dealers noted the Canadian domestic bond market, which broadly tracks movements in US Treasury bonds, briefly out-performed the US government sector yesterday.

INTERNATIONAL BONDS

The first Eurobond to emerge was a C$150m five-year deal for British Columbia, led by Swiss Bank Corporation International. This gave an initial yield spread of 50 basis points over Canadian domestic bonds.

The 9¼ per cent issue, priced at 100⅞, was bid at less 1.85, within its 1⅞ per cent fees. Dealers said the borrower, as a Canadian province, was likely to have particular appeal to Swiss investors.

Perhaps encouraged by this issue, Deutsche Bank Capital Markets later announced a C$100m five-year issue for its Curacao offshoot. This 9½ per cent bond, priced at 101¼, gave a 37 basis point pick-up over the Canadian government bond yield curve. It was bid at less 1½.

Along with Eurodollar bonds, D-Mark domestic bonds rose in early trading by as much as 55 basis points in brisk turnover only to give up much of these gains as trading petered out and New York weakened in the afternoon. As recorded at the end of stock exchange trading, the average yield on bonds with more than three years to run dropped to 5.65 per cent, its lowest levels since the end of last September.

D-Mark Eurobonds gained up to ½ point in early active trading with 10-year maturities popular. A 10-year 6¼ per cent issue for the World Bank gained 30 basis points at the fixing to 102.2.

Dealers said both the domestic and Eurobond sectors of the market were still short of paper in some areas such as six and seven-year maturities.

In Switzerland, the volume of bond dealing continued high. A SFr200m 4⅞ per cent 10-year bond for Japan Highway gained ¼ point to 98 at the close of its second day's trading.

Union Bank of Switzerland found a strong response to a new SFr72m four-year issue for the Canadian province of Manitoba. This was despite the fact that the par-priced bore a 3⅞ per cent coupon, the first set below 4 per cent for some months. It was quoted in grey market trading at less ⅛ bid.

Five-year bond for Venezuela

BY OUR EUROMARKETS STAFF

VENEZUELA yesterday issued a $100m Eurobond and so became the first Latin American country to tap the international bond market since rescheduling its debts.

The issue ended a seven-year absence by Venezuela from the Eurobond market, which it had been unable to tap after the debt crisis in 1982. It had been a regular borrower over the previous 10 years.

The terms of Venezuela's five-year 11⅛ per cent bond show that the cost of re-entering the market are high. At the par issue price, it is paying a fixed interest rate of 3½ per cent over the yield on US Treasury bonds.

By contrast, it is currently paying ⅞ per cent over London interbank offered rate on about $21bn of its $25.3 external debt, under a rescheduling deal arranged last year.

Nevertheless, other issues are expected to follow. Mr Mauricio García Araujo, president of the Central Bank, said this week: "Venezuela's goal this year is to return to the international capital markets on a gradual basis."

J.P. Morgan Securities and Banco de Venezuela, the country's main private sector bank, were sole underwriters of yesterday's issue.

There was also a small selling group for the bond, though it had been substantially preplaced over the last week. Yesterday, bonds were being offered at par.

A $50m floating-rate issue for Colombia last year marked the only other Eurobond for a Latin American borrower since 1982. Colombia, however, has not rescheduled its debts.

All of Venezuela's 11 previous Eurobonds are still outstanding and it has consistently met interest payments on them.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on February 11

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available–previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. [illegible]

Convertible Bonds: Denominated in dollars unless otherwise indicated. [illegible]

مكبرة من الأصل

UK COMPANY NEWS

Amstrad pleases City with £90m

BY DAVID THOMAS

STRONG SALES of personal computers by Amstrad, the computer and consumer electronics group, in the pre-Christmas period lay behind a 26.4 per cent increase in taxable profits to £90.12m for the six months to end-December.

The results were above City expectations, shaped by Amstrad's statement in September that 1987-88 would be a year of consolidation, and the shares closed up 5½p at 135½p.

The interim dividend is doubled to 0.4p. Sales were up 28.8 per cent at £361.06m, with 61 per cent from outside the UK.

Mr Alan Sugar, chairman, also announced a further step in Amstrad's drive to build up overseas sales. A West German subsidiary was to be set up, replacing a distribution agreement with Schneider for West Germany, the Netherlands and Belgium. Those three countries contributed 12.5 per cent (£63.9m) of turnover in 1986-87.

Mr Sugar said German sales would be lower in the second half, before the new subsidiary was established, but would increase substantially next year and would be the largest contributor to European sales within a few years.

The new PC1640 personal computer and its PCW9512 word processor had outstripped sales of Amstrad's older ranges in the UK, according to Mr Sugar. However, he added that the older makes of personal computers and word processors continued to sell well, proving that Amstrad now had a broad portfolio of successful products.

Mr Sugar said 18,000 orders had already been placed for Amstrad's portable computers, which were announced in November for first deliveries last month. This was almost as many as the entire UK demand for portables in the previous year.

Amstrad had maintained its UK market leadership in audio products and moved into the number two slot in video recorders after only a year, said Mr Sugar. The company was planning to expand its Shoeburyness plant, increasing the workforce by about 100 to 650 by the end of the year.

It was intended to unveil a number of new products in the second half which would have an impact next year.

Reviewing progress outside the UK, Mr Sugar said Amstrad was market leader in France in home computers and business computers and was making large inroads there in audio and video recorders.

The company also claims market leadership in home and personal computers, audio and printers in Spain, and enjoys four position there in video recorders, which it has been selling for only six months. Amstrad is discussing with the Spanish authorities the possibility of setting up a warehouse and manufacturing plant there.

The new Italian subsidiary was already trading profitably and would be a substantial contributor next year. Amstrad hopes to build up computer sales in the US in the next half, but Mr Sugar warned that success there would take longer than on the Continent.

Alan Sugar: announced plan for West German subsidiary

After tax of £26.96m (£20.35m), dividend payments of £2.18m (£1.09m), the retained profit was £60.98m (£49.53m). Earnings per share were 11.58p (9.34p).

See Lex

GrandMet lifts external sales in first quarter

Grand Metropolitan, brewing, hotels and food group, announced a 16.7 per cent increase, from £1.36bn to £1.58bn in external sales for the three months ended December 1987. In the year to September the group had total sales of £5.71bn.

The directors said that if the effect of exchange rate movements on translation of the overseas subsidiaries into sterling was eliminated the increase for the quarter would be 20.8 per cent.

Kennedy Brookes rises 77%

BY FIONA THOMPSON

Kennedy Brookes, the hotel and restaurant owner, yesterday reported pre-tax profits 77 per cent ahead at £10.42m for the 12 months to October 25, 1987, compared with £5.9m the previous year.

The group owns the Wheeler's and Mario & Franco restaurant chains, a hotel division with 1,800 rooms, Brookes Outside Catering, a wine merchant and a half share in the London Pavilion development on Piccadilly Circus.

"Just about every section of the company is growing strongly," said Mr Michael Golder, chairman. "The importance of the hotel division, in particular, will increase significantly."

About 35 per cent of operating profits were from hotels last year, a figure the company expects to rise to more than 50 per cent in this financial year and to about 75 per cent next year. Kennedy bought the 11-strong chain of Heritage Hotels for £35m last summer and in October began a two-year, £15m refurbishment programme.

"We are moving the hotels into the upper-middle market," said Mr Golder. "Away from the coach tour, frozen chicken, tinned fruit salad type."

The group also acquired the Londonderry Hotel in London's Park Lane and the Howard Hotel in New York for £64m last year from Barclay Brothers, and in a separate deal, the Onslow Court Hotel in Kensington for £19.5m.

The catering business has been boosted by the acquisition of Black and Edgington, the marquee hire company. Apart from having an exclusive contract to feed boxing fans and ballgoers alike at the Royal Albert Hall, Brookes will be providing food and marquees at this year's Farnborough Air Show and at the Henley regatta and festival.

"We even benefit from worries of an economic downturn, because everyone is entertaining even harder to try and sell their products," said Mr Golder.

Turnover for the year rose 40.5 per cent from £43.81m to £61.56m. The tax charge was £2.4m, compared with £1.24m. Earnings per share rose from 22.68p to 27.1p. A final dividend of 1.66p (1.2p) was recommended, making a total of 2.64p (1.95p) for the year.

● comment

These results were slightly ahead of most analysts' expectations, helped, not least, by the three months contribution covering the most profitable time of the hotel year. The company has also benefited from better margins on wines, a more stable fish price, and the ability to offer both catering and marquees when pitching for an event. This year will see the switch from Kennedy Brookes being primarily a restaurateur to primarily a hotelier and the jury is still out on that. One worry is the high level of borrowings – gearing is 90 per cent – but the City is confidently looking for about £15m pre-tax profits for this year, which on yesterday's closing share price of 263p, 3p down on the day, produces a prospective p/e of 9.5.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding div	Total for year	Total last year
Amstrad	int	0.4†	Apr 11	0.2	-	0.7
Elbief	int	0.53	Apr 9	0.53	-	1.48
Goring Kerr	fin	9.15	Apr 5	7.7	13.5	11.55
Kennedy Brookes	fin	1.66†	-	1.2	2.64†	1.95
Peachey Prop	int	4.5†	Apr 27	4	-	10.25
Personal Comp	int	1.5	Apr 7	1.2	-	3.6
Wm Ransom	int	0.44	–	0.4	–	1.15
Scandinavian Bk	fin	5.3	May 31	-	8	-
Scot American	fin	0.55	Apr 5	0.48	2.09	1.83
Splash Prods §	fin	1.1†	-	2.2	2.2	2.2
Tace	fin	7	Apr 5	5.68	10	8.52
Ward Holdings	fin	1.9	-	1.63*	2.4*	2.07*

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♦Unquoted stock. ♥Third market.

Peachey advances to £7.9m at midterm

By Paul Cheeseright, Property Correspondent

Peachey Property reported a sharp increase in interim profits and looks set to record a significant rise at the year end on the back of a buoyant property market which has lifted its rental income and trading returns.

Shareholders are to receive an interim dividend of 4.5p (4p) on a share capital enlarged by a one-for-four rights issue last October, making 10.25p for the year.

In the six months to December 25, Peachey made pre-tax profits of £7.87m against £4.37m last time. Earnings per share were 13.9p compared with 7.9p for the 1986-87 first half.

The group, which has a portfolio based on retail property and offices, is currently bidding for Estates Property Investment Company, which is strong in industrial property. The offer document for the £58.5m bid is expected to be posted next week.

On Wednesday the Department of Trade and Industry announced that inspectors had been appointed to examine dealings in Peachey shares on May 8 1987. This had little effect on the shares as the company itself is not involved and yesterday, on publication of the interims, the share price remained steady at 381p.

Two key factors were behind the rise in interim profits. An increase in net rental income to £8.1m from £6.2m and a jump in trading profits to £4.3m from £1.07m.

Both factors reflect the strength of the property market, and Mr John Brown, Peachey managing director, said yesterday that he had not detected any weakening since the stock market crash last October.

With a rising stream of rents as more properties are let and more rent reviews come through, and with some property sales already under its belt in the second half, Peachey looks set for a rise in profits for the year to around £14m, on City estimates.

BOC ahead 8% despite adverse exchange rates

BY PHILIP COGGAN

BOC Group, the industrial gases and healthcare combine, increased first quarter pre-tax profits by 8 per cent, despite the effect of unfavourable exchange rates.

For the three months to December 31 it made £63.6m, compared with £59.1m in the corresponding period of 1986. The effect of the decline of the US dollar, Australian dollar and South African rand was to knock £8m off trading profits; however, that would have been even worse but for a £1.5m benefit from a dollar hedging programme. In addition, the dollar's decline helped reduce the interest charge from £13.5m to £10.6m.

BOC's share price was battered at the time of the stock market crash because of its US links. But both the US gas and healthcare businesses performed well and the company said it had as yet seen no signs of a recession in America. The largest rise coming from Africa - up from £7.9m to £10.3m. Profits from the area fell - from £32m to £27.5m - solely because of the dollar's decline.

The other geographical areas all increased profits with the largest rise coming from Africa - up from £7.9m to £10.3m. European profits were up from £18.9m to £21m and Asia-Pacific profits, helped by strong gas sales in Japan, increased to £15.1m (£14.3m). BOC recently offered to buy out the minority stake in Commonwealth Industrial Gases, its Australian subsidiary.

Mr Richard Giordano, chairman and chief executive, said: "This overall performance puts us on course for further growth in profits and earnings per share for the year as a whole".

Turnover, including that of related companies, was slightly down at £566m (£593m). Operating profits of £74.2m (£72.6m) included £5.3m (£4.4m) from related companies. After tax of £18.1m (£13.5m), fully diluted earnings per share were 12.3 per cent higher at 8.93p (7.95p).

See Lex

Mowlem drops Buehler sale

BY DAVID WALLER

John Mowlem has abandoned the proposed sale of the 76 per cent stake in Buehler International, its instrumentation and materials analysis compounds manufacturing subsidiary.

The UK construction, property and engineering group blamed October's stock market crash for its decision not to proceed. Last September, it announced that it was seeking tenders for the holding.

Sir Philip Beck, Mowlem's chairman, said yesterday that a number of companies had expressed an interest in the holding prior to the crash. Although informal negotiations were kept open after Black Monday, no concrete offer emerged.

Buehler's profit record has been erratic: profits before interest and central costs fell from £5.6m in 1985 to £2.5m, equal to seven per cent of group total, in the following year, on turnover almost static at £43m.

For the nine months to September 30, Buehler was "well ahead" of the previous year, generating pre-tax profits of $4.4m (£2.6m).

In December 1985, Mowlen floated 24 per cent of Buehler on the US over-the-counter market to raise $13.9m.

GKN expands international interests

GKN is extending its international interests in automotive transmissions components. It is to take a 40 per cent holding in a new Brazilian company, ATH Albarus Transmissoes Homocineticas SA, a manufacturer of constant velocity joints, and a 30 per cent stake in the Australian company Unidrive PGY under a joint venture agreement.

The other shareholders in the Australian venture are BTR-Nylex, with 50 per cent, and NTN Tokyo Bearing with the remaining 20 per cent. With net assets of A$20.1m (£8.1m), Unidrive makes CVJs, primarily for the front-wheel drive market. In neither case did GKN disclose how much it paid for its holding.

THF accounts reveal big pay rises for directors

BY DAVID WALLER

MR ROCCO Forte, chief executive of Trusthouse Forte was paid £230,222 last year, two and and a half times more than the £88,344 he received in 1986.

Published yesterday, the hotel group's report and accounts to October 31, also show that Lord Forte, chairman, was paid £234,577, an 84 per cent increase on his 1986 salary of £127,827.

Six other directors saw their salaries rise beyond the £105,001 to £110,000 band, the upper limit for 1986. One director earned between £105,001 and £110,000; four earned between £150,001 and £155,000 and the highest paid received between £200,001 and £205,000.

In total, remuneration for the 11 directors doubled from £1m to £2m. Wages and salaries for the group's 71,000 employees rose by 15 per cent to £449m, against £389m in 1986 when employees numbered 60,800.

A THF spokesman said yesterday that the big increases in directors' salaries were due to performance-related bonuses. Pre-tax profits rose £44m to £180m last year, and earnings per share advanced 31 per cent to 16.3p.

In his statement with the report, the chairman said the new financial year had started well. "To date we have seen no significant impact on our trading from the fall in world stock markets and the decline in the US dollar."

City remains unmoved by Ward's 43% rise

BY DOMINIQUE JACKSON

Ward Holdings, Chatham-based house builder, posted a 43 per cent rise in pre-tax profits in the year to end-October 1987 to £12.86m from £8.97m last time.

However, in the wake of Ward's doubling of profits in the 1985/1986 period, the rise failed to impress the market and the share price slipped 12p to close at 169p.

The pre-tax total was achieved on turnover increased to £43.33m (£35.99m). The final dividend was 1.9p, making a total dividend for the year of 2.4p (2.07p).

Earnings per share, adjusted in respect of the August 3-for-1 scrip issue, rose by 50 per cent to 15.9p from 10.6p.

Mr David Pead, finance director, said that housebuilding, the group's core activity, generating 87 per cent of pre-tax profits, had shown strong growth. He expected the stock market crash to have little discernible effect on the market.

Ward continued to reap the benefits of its entrenchment in Kent which has led the south-east housebuilding boom. This has been aided by the completion of the M25, the extension of the M20 and the prospect of the Channel Tunnel, he explained.

Mr Pead foresaw no problems either for the company's London operations, set up 15 months ago and now contributing marginally to group profits.

Ward has only minor interests in London's Docklands – considered the most volatile area – with most of its investment shared between 10 major sites strategically placed in and around central London. Substantial profits from the London operations should be visible by the first half of the current year, Mr Pead said.

Rising land prices obliged Ward to revise the terms of its overdraft and seek additional funds in November via a £40m syndicated loan and sundry mid-term facilities for another £6m.

Ward continued to expand its property investment portfolio which in the year to end-October 1987 contributed £935,000 to total profits (£781,000).

Mr Pead said management problems in Moulding Designs and Homecare Window Systems, manufacturing units, had now been redressed and White Seal Stairways contributed to profits for the first time.

● comment

Egged on by recent spectacular feats – such as last year's doubling of profits – investors were eagerly awaiting yet another breathtaking performance from Ward and a mere 43 per cent advance was bound to be something of an anti-climax. However, few other companies in the sector are as well-placed as Ward to weather the current storm of jitters over the post-crash property market. The company is still sitting on a substantial land bank in post-M25 pre-Chunnel boom-time Kent and will have no difficulty maintaining margins well above 25 per cent. Its London interests are soundly sited on the periphery and the property investment portfolio will be contributing a handsome few million to profits by next year. For this year, £16m is in view giving a prospective p/e of just under 9 which, even given the Ward family's sizeable stake, seems on the low side.

Tace rises 33% and hopes to expand environmental side

BY ANDREW HILL

Tace, process, environmental and quality control company, announced pre-tax profits up from £2.82m to £3.76m for the year to end of September, a 33 per cent increase.

The pre-tax profits include a contribution from the whole of Goring Kerr, which is 52.5 per cent owned by Tace.

After the outside shareholders' interests and extraordinary losses on the closure of a subsidiary were stripped out, Tace's earnings per share last year still increased by 24 per cent to 25.29p (20.4p).

Tace's US subsidiary, Andersen Instruments, which manufactures air pollution monitoring equipment, will benefit from the anti-pollution regulations passed in July, although sales and profits were down in the latest period.

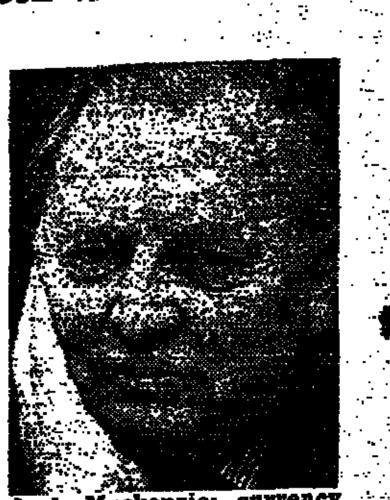
Group turnover reached a record £24.68m from £22.05m. A final dividend of 7p is recommended, making a net 10p (8.52p) for the year.

The group is interested in expanding the environmental and quality control sectors of its business through acquisitions and expects to benefit if European governments follow the lead given by the US on air pollution controls.

In the UK, the group expects Nova Radio Telephones, which manufactures telecommunication systems for the police and fire brigades to develop, while the other UK activities continue to provide support.

Operating profit margins for the whole group increased to 17.7 per cent (14.7 per cent), with the best margins recorded by Goring Kerr.

Mr Jock Mackenzie, chairman, said currency fluctuations in the opening months of the current year might affect business in the first half, but that this should be offset by Andersen's enhanced performance and a full year's contribution from new US subsidiaries Plastic Systems and Sampling Technology.



Jock Mackenzie: currency fluctuations should be offset

● comment

Mr Jock Mackenzie's Siamese twins, Goring Kerr and Tace, continue to depend on the US market: last year's figures benefited from a stable currency, this year there have been worries about the drop in the dollar. Tace says Goring Kerr is no longer the main source of group profits, although it still provides the highest margins and about half of the group's business. Most of the other half comes from Andersen, which should now emerge from the doldrums with its PM 10 pollution monitor, and STI, apparently poised to exploit the analysis of gas from incinerating domestic waste. Both are based in the US and in that respect, the sooner Europe wakes up to the need for pollution control the better for Mr Mackenzie. Similarly, the development of telecommunications arm Nova would strengthen the small businesses in the UK, which currently provide only nominal support. If the company's control equipment remains popular pre-tax profits for 1987/88 could rise to around £4.7m for Tace, £2.8m for Goring Kerr, shares of which were up 10p to 250p at the close yesterday. The forecast puts Tace shares at 280p on a prospective multiple of around 8 which looks attractive.

Personal Computers doubled

A HIGHLY successful outcome to the year ended May 31 1988 is forecast by Mr M D Rolfe, chairman of **Personal Computers**, after the company more than doubled its midterm profit.

Reporting for the six months to November 30 he said turnover expanded from £7.96m to £17.29m and taxable profits from £400,000 to £899,000. With earnings at 11.36p (5.34p), he is lifting the interim dividend to 1.5p (1.2p).

Mr Rolfe said the performance was exceptional because of buoyant market conditions. In December and January sales showed continued growth, but indicated that the traditional bias towards the second half would be less pronounced. In that period last year sales were £12m and profits £765,000.

Despite the competitive market the order book was encouraging.

The company sells personal computers and ancillary services, and is quoted on the USM. Sales to corporate users formed an increasing part of the business, the chairman said.

Splash jumps to £0.25m and seeking £1.1m cash

Splash Products, USM quoted printer and distributor of T-shirts and fashion garments, lifted its turnover by 42 per cent to £3.5m and its pre-tax profits from £94,000 to £249,000 in the year ended October 31 1987.

And to fund bank borrowings and expansion the directors are raising £1.13m net through an underwritten 2-for-5 rights issue at 57p per share. Last night the shares closed at 77p.

Bank borrowings have increased due to the build-up of stocks of unprinted T-shirts and the acquisition of the group's new factory in Coventry.

Stocks were increased to ensure there would not be a repeat of last year, when the directors felt turnover suffered materially as some orders could not be fulfilled because of dependence on stocks of imported shirts, which were subject to delays. Stocks are at a record £2.6m, compared with £2.2m at end-October and with £1.2m the year before.

The directors expected another improvement in turnover this year and said the first quarter was 49 per cent ahead.

Proceeds of the rights issue would also go towards the planned rock division and expanding printing facilities.

For 1986-87 there is a final dividend of 1.1p, to hold the total at 2.2p. For the current year the directors stated their intention to pay 2.6p.

Goring Kerr up 19% to £2.5m

BY ANDREW HILL

Goring Kerr, maker of process control equipment, yesterday announced pre-tax profits up 19 per cent to £2.5m for the year to end-September, from £2.1m the previous year.

The company, which is 52.5 per cent owned by Tace, develops and manufactures products such as the Peerless Colour Monitor, for quality control in food production; metal detectors and computerised weighing systems.

Contracts for the Ministry of Defence are also an important part of the group's activities.

The directors are particularly pleased with sales of the Peerless Colour Monitor in Japan, the US, Europe and the UK. This year group turnover in Europe grew by about 59 per cent, North American sales by 16 per cent and UK sales by 11 per cent.

Turnover as a whole increased by 14 per cent from £7.6m to £8.7m and earnings per share were up by 29 per cent to 26.05p (20.13p). The directors are recommending a final dividend of 9.15p, making a net 13.5p (11.55p) for the year.

The company said adverse currency changes during the first months of the new financial year would effect interim results.

However, the order book was healthy and growing sales of the new products led the group to expect satisfactory results for the full year.

Wm Ransom rises 11% at halftime

Modest growth continued for **William Ransom & Son** in the six months to September 30 1987. It reported a 10.8 per cent increase in pre-tax profits to £256,000, up from £231,000 last time. The result was achieved on turnover up £71,000 to £2.6m.

The directors of Ransom, which manufactures pharmaceutical products and extracts material from plants, said that sales continued to expand with encouraging demand from the home market. But they added that the strong pound and the economic problems of certain countries had adversely affected export markets.

As a result of the company's efforts to contain costs, margins had been maintained and the directors expected the trend to continue over the next six months.

After an increased tax charge of £89,000 (£81,000), earnings per 10p share came out at 1.1p (adjusted 0.99p).

The interim dividend has been lifted to 0.44p (0.4p).

Scottish American Inv

The asset value of Scottish American Investment at the end of December was slightly higher than a year earlier despite October's stock market fall, according to Sir Hew Hamilton-Dalrymple, chairman.

Income for the year to December 31 rose 25 per cent to £8.82m. Earnings per share rose to 2.15p (1.75p) and a final dividend of 0.55p is proposed, making 2.09p (1.825p) for the year. The directors have forecast a dividend of 0.56p for the first quarter of 1988.

Hodgson's £500,000 buy

By Andrew Hill

Hodgson Holdings, the largest funeral director quoted on the USM, yesterday bought two more funeral directors for a total of £515,000.

The company has now made 28 acquisitions since its flotation in June 1986.

Latest acquisitions are R. Butler & Sons, based in Hailsham, East Sussex, for £300,000 in cash and shares, and Richards Funeral Service, of Witham, Essex, for £215,000 cash.

Midway hiccup at Elbief

LATE ORDERING for Christmas trade caused a near 40 per cent reduction in pre-tax profit at Elbief. For the six months ended October 31 1987 it fell from £253,000 to £152,000 but the directors are expecting a pick-up in the current period.

Mr Samuel Prais, chairman, said sales of Elite collections of photographic frames, clocks and mirrors increased, with export growth being particularly strong.

There was late ordering of the Elite products for Christmas trade. Value of orders had since exceeded last year and over the full 12 months the chairman was looking for profits similar to the £402,000 of 1986-87.

Turnover in the first half was unchanged at £2.08m (£2.04m). Earnings worked thorough at 0.78p (1.3p) and the interim dividend is unchanged at 0.532p.

COMPANY NEWS IN BRIEF

FLEMING AMERICAN Investment Trust had a net asset value of 129.7p per share at end December 1987 compared with 165p a year earlier. A final dividend of 1.0625p (same adjusted for scrip issue in April) makes unchanged total of 1.5625p. Earnings per share were 1.29p (1.63p) after tax £803,662 (£621,660). Net revenue for the year fell to £885,731 (£1.11m).

KENMARE RESOURCES continues its translation from junior exploration company to international mining house despite announcing a loss of I£30,000 (£27,000) for the six months to October 31 1987. Mr Charles Carvill, chairman, said the Dublin-based company had a strong cash position with £1.4m on deposit.

KLEINWORT OVERSEAS Investment Trust is paying a final dividend of 1.6p, making 2.6p for 1987 (2.5p). Gross revenue £4.88m (£3.74m) and net revenue £2.21m (£2.02m), or 2.75p (2.52p) per share. Net asset value 140.3p (181.9p).

TR CITY OF London Trust reported net asset value in the six months to December 31 1987 down 22 per cent from 101.2p of last June to 78.8p per deferred stock. The total dividend has increased to 2.56p, payable at a quarterly rate of 0.64p.

YEARLING BONDS totalling £2.5m at 9⅝ per cent, redeemable on February 15 1989, have been issued by the following local authorities:- Cardiff (City of) £2m: Swansea (City of) £0.5m.

SEP INDUSTRIAL Holdings is to buy Coppice Fastenings, based in Birmingham, for £925,000 comprising £300,000 in cash or by means of a vendor placing, £325,000 in SEP shares and £300,000 in loan notes. Coppice will be integrated as a separate profit centre within SEP's existing fastener division.

TRIPLEX LLOYD has purchased Walford Brothers for £600,000 cash. In addition up to £75,000 will be payable dependent on Walford's profits performance. Walford designs and manufactures silos and related products for the brewing and feed milling industries.

HUGHES FOOD Group has acquired Ivy House Farm Products for £354,200 cash. Ivy House, based in Cheshire, processes in excess of 30,000 birds per week for second stage poultry processors. Hughes has also acquired Nuthall Fork Trucks for £48,200 in cash.

RENTOKIL GROUP has added to its Florida pest control operations with the acquisition of Corson Services of Jacksonville for an undisclosed sum.

HARRISONS & CROSFIELD's wholly-owned subsidiary Harcros TimberAustralia is to sell its wholesale division to Paynter Timber, a subsidiary of Paynter Corporation of New Zealand, for A$10m (£4m).

BETT BROTHERS has acquired a substantial area of land at Staines, close to Heathrow Airport, and has lodged a planning application for an industrial scheme of 320,000 sq ft on 14.3 acres.

BIOMECHANICS INTERNATIONAL has changed its year-end to March 31 and its next preliminary figures, due to be announced on or about May 31, will cover the 15 months to end-March 1988.

CASTLE COMMUNICATIONS has acquired Independent Video Services, satisfied by the issue of 300,000 ordinary shares, worth £510,000 at current price levels, and £200,000 5 per cent redeemable loan notes.

COATES BROTHERS: Partial offer by CDF Chimie to acquire ordinary and 'A' ordinary became unconditional in all respects on February 5. Partial offer will remain open for acceptance until February 12 and may not be accepted thereafter.

GKN DYNO-ROD, a GKN subsidiary, has acquired three companies to aid the expansion of its Californian sewer cleaning business. The total consideration for the three – Rappit Rooter, Rick's Rooter and E-Z Rooter – amounts to $1.7m (£971,000).

HALL ENGINEERING is acquiring 75 per cent of Norburn Engineering from Mr C.J. Norburn, former chairman. Hall is paying £1.6m cash with an additional £402,000 at completion. Further payments over the next two years depend on improved profit levels. Hall is entering into an option agreement on the 25 per cent held by Mr David Norburn, managing director. The maximum sum payable is £4.98m.

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UK COMPANY NEWS

James Fisher chief delivers rebuff to Walter Runciman

BY DAVID WALLER

James Fisher & Sons yesterday delivered a rebuff to Walter Runciman, the shipping, insurance and security group which earlier this month doubled its stake in the Barrow-in-Furness shipping group to 11.14 per cent.

Fisher announced that shareholders with more than 50 per cent of the equity supported management's contention that the company should remain independent "for the foreseeable future."

Mr William Eccles, chairman and chief executive, declined to say which shareholders had offered their support – nor would he give details of the assurances. However, last year's annual report showed that Mr Eccles himself controls 36 per cent of the company's equity.

Fisher said it had held talks with Runciman to see whether there would be any synergy to be derived from a "linking in some form."

The board concluded that the activities of the two companies were so different that it was not in the interests of either shareholders or employees to continue the discussions.

When Runciman increased its stake on February 2, it said that it had no intention to make a bid for at least three months, in the absence of a material change in circumstances. Since then, it has bought a further 50,000 shares taking its holding from 10.9 to 11.14 per cent.

Scandinavian £0.6m in the red

BY DAVID LASCELLES, BANKING EDITOR

Scandinavian Bank, London-based international bank which floated its unusual multi-currency shares on the Stock Exchange last year, reported a pre-tax loss of £625,000 for its first year as a public company yesterday.

The loss resulted from a decision to make a further sharp increase in provisions against doubtful Third World loans, from the equivalent of 30 per cent at the interim stage to 40 per cent at year-end. The bank's large investment management operations were also hurt by last October's market crash.

The group's profits before tax and exceptional items, were £26.6m, slightly ahead of £26.4m in 1986. In the first half of the year, Scandinavian made £14.1m of provisions against Third World loans, but decided to add a further £13.1m in the second half, pushing the final result into the red.

In so doing, Scandinavian has exceeded the provisioning levels suggested by the Bank of England's "matrix" which is supposed to act as a guide to banks. Last week, Mr Robin Leigh-Pemberton, the Bank's Governor, advised banks to try to adhere to the matrix.

Mr Garrett Bouton, Scandinavian's chief executive, said yesterday that he had told the Bank of his intentions and had received no objections. He said that Scandinavian did not see itself as a long-term participant in efforts to resolve the Third World debt problem, and had therefore made the provisions in preparation for a gradual reduction in its exposure. This would be achieved through debt-for-equity swaps, loan trading and outright sales of loans for cash.

Of Scandinavian's four core businesses, banking contributed £30.7m to total income of £95.3m. This was down from £37.9m, partly because of the declining value of the dollar, and £3.5m of lost income resulting from the payment moratorium by Brazil and Ecuador. The treasury operation earned £35.3m, up from £34.7m. Investment management, concentrated in the Geneva-based subsidiary Banque Scandinave en Suisse, earned £20.3m, up from £17m. However the sum of funds under management fell from SFr6.3bn to SFr5.3bn, as a result of the market crash.

The group's other operations, including the newly constituted Private Capital Group which supplies personal financial services, earned £9m, up from £1.7m last year.

After taxation and deduction of minority interests, the total group loss attributable to shareholders amounted to £7.4m, compared to a profit of £15.4m in 1986. A final dividend of 5.3p is being proposed, making a total for the year of 8p, up from 6p in 1986.

Mr Bouton said that the group's banking activities would now focus more on merchant banking, and profitable sources of lending and fee income. The capital markets side will open a new trading operation in New York, and a team to engage in asset swapping may be constituted.

Mr Egil Gade Greve, the chairman, warned, however, that if present volatile conditions persist, Scandinavian Bank is unlikely to match its 1987 results of £26m this year.

● comment

Scandinavian's gallant effort in obtaining a listing for its novel multi-currency shares could hardly, in retrospect, have proved more badly timed. Two of the group's three main operations, banking and investment management, ran smack into last year's big crises: Third World debt and the market collapse. And the fledgling businesses were too small to make much difference. But last year was also a deck-clearing exercise. The sharp increase in provisions will enable Scandinavian to start winding down its Third World exposure and concentrate on more worthwhile pursuits in the merchant banking and capital markets area. The positive side of the results has not impressed the markets, however, where Scandinavian shares lost 10p to 135p yesterday, leaving them way below the listing price of 210p. This puts them on a historic yield of more than 8 per cent, with a p/e ratio of 5.2. While even the chairman is unencouraging about the outlook, that standing may prove excessively low for a group that remains soundly managed and has exceeded even the Bank of England's advice to clean up its loan portfolio.

Britoil to advise holders after Treasury talks

BY STEVEN BUTLER

Britoil yesterday again urged its shareholders to take no action regarding the BP 500p-per-share offer, the first closing of which is today. BP already controls a 55.5 per cent majority of Britoil shares.

Britoil said it would advise shareholders on a recommended course of action following the outcome of discussions with the Treasury on the Government's use of its special share in Britoil, which gives it control of the company, and that advice would be forthcoming before the final expiry of the BP offer.

Both BP and Britoil are consulting with the Treasury and a decision is anticipated next week. The discussions are said to be proceeding well.

The Government is believed to be concerned about maintaining Britoil's Glasgow presence and the pace of exploration on Britoil's North Sea assets.

A meeting was held earlier this week between BP and Britoil, at BP's request, although it is not known what was discussed.

● The Kuwait Investment Office yesterday said it had continued to buy BP shares, raising its stake in the company to 19.37 per cent, from the 19.24 per cent reported a day earlier.

Mining & Allied £2.12m rights to fund purchase

BY ANDREW HILL

Mining & Allied Supplies, mechanical handling engineer and equipment distributor, yesterday announced a seven-for-eight rights issue to fund the C$3m (£1.35m) acquisition of **Thunder Bay Bearings,** supplier of equipment to Canadian mines and paper mills.

The issue, at 17p a share against yesterday's closing price of 33p, will raise £2.12m and has been fully underwritten.

The cash will also be used to consolidate the company's financial position and reduce bank borrowings.

Under its old name of Westwood Dawes, Mining & Allied last year took over Hugh J O'Neill, distributor of mining and paper processing equipment in eastern Ontario, for £1.15m.

Thunder Bay's seven branches in western Ontario should complement this presence and will bring the number of Mining and Allied branches in the state to 15.

NHLC acceptances

Shareholders and loan stock holders in **National Home Loans Corporation** have taken up 62.79 per cent of their entitlement to new convertible preference shares offered last month to raise £97m. The balance will be taken up by the placees pro rata to their underwriting commitments.

Dee renews assault on B&D's 'flawed' offer

BY NIKKI TAIT

WITH ONLY a week to go in the £2bn cash-and-share bid by **Barker & Dobson** for the substantially larger **Dee Corporation,** the target company yesterday sent out a further letter to shareholders, claiming that the offer is inadequate and that the predator's strategy is "flawed".

Dee argues that the cash element of the offer – which works out at just over 140p a share – represents a forecast p/e exit multiple of only 9.4 times and that the paper element is of "uncertain value".

Dee's bases its latter conclusion on the implications of the bid's financing structure. "Given the onerous levels of debt and the strangling effect of the loan covenants, the new B&D shares are of very dubious and uncertain value," argues Dee. "The financing has far wider implications for the future of the enlarged B&D. The loan agreement constrains the retailing plans and forces B&D into its flawed strategy."

In addition, Dee argues that its existing businesses "offer significant potential for profitable organic growth" and that the company is "emerging for a period of transition and consolidation."

Yesterday, however, shares in Dee rose by a further 3p to 187p, while Barker & Dobson gained 3p to 143p. Dee shares – having risen to around 230p in the early days of the offer – had fallen back to under 180p a week ago, close to their pre-bid level.

Blue Circle raises Birmid stake to 43%

By Philip Coggan

Blue Circle, the cement group, now owns 42.6 per cent of Birmid Qualcast, the home products company, with just one day to go before the close of its £275m takeover bid.

It acquired another 463,000 shares, increasing its stake to 30.19m shares, excluding acceptances for its offer.

Meanwhile, the companies clashed again over graphs produced in recent documents. The dispute centres around the effect on target company share prices following the failure of recent takeover bids.

Blue Circle cut the graphs off two months after the bids lapsed – at which point the prices had dropped; Birmid Qualcast carried the graphs on to the present day – at which point the prices had risen.

However, Blue Circle was forced to admit that one graph – showing the effect of the Associated British Foods bid on the share price of S & W Berisford – had been drawn inaccurately.

MATTHEW HALL subsidiary, Keynes Inpark of the Netherlands, has acquired Fugro Geodesie and Netherland Hydrographic Services, specialists in aerial and underwater mapping, for FL 1m (£300,000) cash.

B&F bows out as Dixons ups Wigfalls stake

By Nikki Tait

Bennett & Fountain, the acquisitive electrical goods retailer and wholesaler, yesterday formally lapsed its paper-only offer for Sheffield-based **Wigfalls** after rival bidder Dixons posted its offer document.

B&F had already indicated that it would withdraw once the Dixons offer document was out. The lapsing of the B&F offer will release shareholders speaking for one-quarter of Wigfalls' votes from irrevocable undertakings to accept the B&F terms.

Yesterday, however, the addition to the Dixons stake was relatively modest. In late afternoon, the company announced that it had acquired a further 260,000 ordinary shares and 170,000 convertible preference shares - raising its total voting interest from about 38 per cent to 43.7 per cent.

Mercantile's two purchases

Mercantile Credit Group has announced the acquisition of **Town & Country Car Rentals** from Henlys and **Ford & Slater Group** from UAC, a Unilever subsidiary.

Town & Country was acquired through Mercantile subsidiary Guy Salmon Car Rentals, a self-drive and chauffeur-drive operator. It will increase Guy Salmon's car rental fleet to 4,500 cars, its network to nearly 40 branches and boost its turnover to almost £30m.

Meanwhile, Mercantile proposes to operate F&S as a separate business within its automotive division. Leicester-based F&S is primarily engaged in contract hire and distribution of Leyland-Daf and Mercedes-Benz commercial vehicles. It has total assets of about £16m and sales in 1987 came to about £65m.

Wilshaw cuts Powdrex offer

Wilshaw Securities, which regained its stock market listing last autumn after a four-year suspension, has reduced the terms of its offer for Powdrex, the steel powder supplier.

This follows a decision by one of Powdrex's customers, said to have been taken for economic reasons, to reduce substantially its purchases of Powdrex powders. The new, recommended offer, is two Wilshaw shares for every Powdrex, valuing the target company at around £650,000, with a cash alternative worth £550,000.

RCO grows 32%

RCO Holdings, cleaning services concern, increased first quarter turnover by 27 per cent and pre-tax profits by 32 per cent, the annual meeeting was told.

Benefit came from the start of large contracts where set-up costs fell into last year. Figures for the full year should substantially exceed 1986-87.

COMMODITIES AND AGRICULTURE

SIB takes soft line on Brent market regulation

BY STEVEN BUTLER

OIL TRADERS on the Brent market are to be exempted from most of the rules designed to ensure compliance with the Financial Services Act.

The Securities and Investments Board said yesterday that its decision marked a "significant new departure" in its approach to regulation. The market would be able to operate under a relatively light regulatory regime so long as it remained exclusively professional, without participation by individual investors.

The board is responsible for ensuring compliance with the Act, which takes effect in April. Its announcement came as a relief to the oil trading community, which had been growing anxious about the effect of the measure on its activities.

Oil traders have until February 27 to seek authorised trading status under the Act by joining a recognised self-regulatory organisation. Failure to do so would mean that in most cases their further participation in the market would be barred by law. Oil trading is at present unregulated.

The traders had initially believed that they would fall outside the scope of the Act, since they dealt in forward contracts for the delivery of oil rather than in securities. However, the board decided that much of the trading on the market was covered by the Act's broad definitions of investment activity.

The Brent market is widely used for hedging and speculation, with 15 to 20 contracts written for each of the 43 oil cargoes of 600,000 barrels delivered monthly through the Sullom Voe Terminal in the Shetland Islands.

Although it plans to exempt traders from most rules, the board has proposed a code of conduct that would govern trading and has warned that the proposed regime could be changed should it prove inadequate or unjustified.

The code differs critically from rules that would apply in other markets in that traders would not be able to seek damages from trading partners who violated the code.

Such violation, however, could lead to traders losing the authorisation to trade which will be required by nearly all market participants. The SIB is recommending that participants seek authorisation by joining the Association of Futures Brokers and Dealers.

Imposition of financial requirements on traders is not expected. The SIB recognises that such a move could sharply affect the business costs and could drive some traders from the market.

The board justified the proposed regulatory framework by pointing to the lack of non-professional players, the high value of individual transactions (now £5m to £6m per contract) and the strong *caveat emptor* ethos in the market, where traders take precautions to ensure that trading partners can meet contract obligations.

For the big players in the market, the major oil companies, the FSA could prove to be a non-event, and yesterday's message really is that when the Act comes into force, it will probably be business as usual.

They have no reason for complacency, however. Brent market traders are now on clear notice that they are being watched. If the SIB does not like what it sees, its gift of a light touch on the market could be exchanged for a heavy hand, because that is what is required under the Act.

That could be prompted by precisely the sort of trouble that the market experienced in 1986, when a sharp fall in oil prices led to a series of defaults. The SIB's proposed code of conduct indicates that it expects traders not to over-extend themselves, abuse market procedure, or attempt to manipulate the market, although the SIB does not define carefully how these misdemeanours are to be judged.

The board does say traders should not deliberately mislead counterparties and would frown on unplugging the telex machine in order to prevent contract instructions from being received.

It has stressed that the entire regulatory regime, the rules that apply, and the code of conduct are all tentative, to be modified after consultation with the industry and in consideration of how the market behaves.

That said, the SIB has gone to rather extraordinary lengths to accommodate the unregulated, and unorganised style of doing business that oil traders have developed

The only real surprise is that the SIB is discouraging applications for "permitted persons" status under the Act, under which traders would be authorised to conduct business. This is a status granted directly by the SIB, which had earlier indicated that it might be an appropriate avenue for oil companies for which oil trading is not the principal business.

Because traders will be exempted from most of the thick sheaf of SIB rules, the board concluded that it was appropriate for traders to seek registration with a recognised self-regulating organisation,in this case the AFBD. Some of the major oil companies had in any case seen this as the more attractive route since membership of the association also gives them participation in an organisation that could play a role in further shaping the market.

If traders fail to obtain "permitted" or "authorised" status – a third category of "exempt" status is not generally relevant – they must cease UK business. Otherwise trading would become illegal and contracts unenforceable. Moving offshore could be an alternative to seeking authorisation, although it would require all deals to be broked through a trader offshore who has authorised status.

Joining the association is principally a process of disclosure – filling in a pile of forms – and that runs counter to the ethos of many in the business.

Because they would have to cease trading if their application for permitted status was turned down the board is allowing traders to apply simultaneously on a shortened form for authorised status, which would be acted on in the event that permitted status is denied. In any case, a permitted status would expire at the year end so that active traders would eventually have to seek authorised status.

THE $348m antitrust and price manipulation suit against BP, Exxon, Conoco, and Shell brought by Transnor, a Burmuda-based oil trader, now appears more likely to go to trial in the US. A US district court in New York denied a motion to appeal an earlier ruling that the court had jurisdiction in the case, which involves trading on the Brent oil market.

The Court ruled that the Brent market is a US market because 50 per cent of the traders and brokers are based in the US. The decision has disturbed the oil trading community because it indicates that they are bound by US law even though they trade in London.

The Court's decision, however, was procedural and raised the possibility that defendants could move for a summary judgement if in the pre-trial discovery phase they uncover evidence that the Brent market is an international market with no direct impact on US commerce.

Brazil's freelance prospectors boost tin production

BY OUR SAO PAULO CORRESPONDENT

BRAZIL EXPECTS to produce a record amount of tin this year, thanks mainly to an army of about 8,000 freelance prospectors working deposits in the Amazon.

The Brazilian Tin Mining Association says total national output could reach 34,000 tonnes this year, which would make Brazil the largest tin producer outside the Communist Bloc. Over 70 per cent of the output will be shipped for export.

Brazil's rising production will probably irritate members of the Association of Tin Producing Countries. Although Brazil is not a member it promised the association last year that it would try to run down stocks by holding production down to 26,000 tonnes and exports at 26,500 tonnes.

The problem is that the Government is unable to control the fiercely independent prospectors, most of whom operate in the state of Rondonia, where prospecting is illegal. Federal officials are reportedly unaware of the precise number of prospectors working there or how much ore they are producing. Unofficial figures put their output as high as 14,000 tonnes a year.

The ATPC and Brazil have agreed informally to raise Brazil's export ceiling by 5,500 tonnes to 26,500 tonnes to take account of the prospectors' rising production. That allowance now seems insufficient.

Brazilian mining officials and tin companies have not reached a settlement on individual company export quotas. In the meantime, they are continuing to buy ore from the prospectors to refine and export it.

Australia wrestles with oil production decline

BY CHRIS SHERWELL IN SYDNEY

AFTER YEARS of argument, Australia's petroleum industry last month entered a new era of controls which, with luck, will help to blunt a clear threat to the balance of payments by countering a decline in oil self-sufficiency.

Whether the strategy, as implemented, will achieve its objectives remains an open question. The Labor Government hopes so, the industry is doubtful. But no one disputes that the old ways are past.

The Government's major reforms, implemented over recent weeks, have relaxed the regulations controlling foreign participation in oil and gas development, revised the way domestically-produced oil is priced and significantly altered the taxation regime.

Behind the changes lie some harsh facts. For a start, Australia's dependence on petroleum as a primary energy source is around 38 per cent, with about one-third of that going on road transport alone.

Secondly, demand for oil is rising, from around 560,000 barrels a day in 1986 to a projected 680,000 b/d or more in the early 1990s. Yet domestic crude oil production from known and currently-producing fields is expected to fall from 546,000 b/d two years ago to 280,000 b/d in four years' time.

Government estimates of production from as yet undiscovered fields range from a probable low of 40,000 b/d to a possible high of 130,000 b/d.

According to the Australian Petroleum Exploration Association, which represents explorers and producers, that translates into a "crude oil gap" of 320,000-360,000 b/d by 1992-93 – or net imports of more than A$3bn (£1.2bn) at 1987 prices.

This is a dramatic contrast with the admittedly exceptional year of 1985, when Australia was a net exporter. For a country suffering one of the largest current account and external debt burdens in the OECD group, it is an uncomfortable equation.

The payments imbalance will be only partly redressed through future exports of liquified natural gas, of which Australia has prodigious quantities, or, for that matter, by increases in other high-performing commodity exports like wool.

Equally, the energy gap can only partly be plugged through reduced energy demand, greater efficiency in oil use and substitution of coal, LNG and other fuels.

The discovery of more oil at home is therefore seen as essential in the short-term. That means encouraging a sustained improvement in the pace of exploration.

Between 1970 and 1985, discoveries were running at 70m barrels a year. In 1986 that dropped to 40m as exploration expenditure halved after the oil price collapse, and last year it fell further, to 20m.

Of all the Government's recent reforms, the most important, in international terms, came last month, when it removed from foreign investment guidelines the 50 per cent Australian equity requirement for oil and gas developments worth more than A$10m.

The change, the first to involve Australia's resources sector, is expected to provide a direct boost for an oil exploration effort which is currently valued at only A$600m.

More radically, the Government has altered the way domestic oil is priced and marketed. On January 1 it ended the crude oil allocation scheme, under which refiners had to absorb specified quantities of Australian crude, and the import parity pricing scheme, which lifted the price of locally produced oil by two US dollars a barrel to make it equivalent to Middle East oil plus charges for freight, insurance and a quality differential.

The changes have removed the security of a market at a government-calculated price which was above free-market levels. This is expected to hurt small producers, who will have to find a market for their output (refiners have given them some assurances).

Big explorers and producers like BHP and Exxon, on the other hand, are happy to be able to market their output freely. And foreign companies previously deterred by the marketing restrictions should feel more disposed to explore in Australia.

In spite of these improvements, the industry argues that Australia, being a high-cost area with low prospects, still needs stronger exploration incentives. Unsurprisingly, for an industry which is the most highly-taxed in the country, its main concern is secondary taxation.

Particular criticism is directed at the new resource rent tax, another major change. The tax applies to new offshore projects and is levied on profits at a rate of 40 per cent before company tax.

The idea is to ensure that the community benefits from the successful exploitation of the country's resources. The industry sees it as a major improvement on the previous excise arrangements, which were a direct addition to costs, but says it is fundamentally flawed.

The main complaint is that the tax does not allow deductibility of costs incurred on the numerous (and expensive) failed projects which accompany successful ones. Costs which can be deducted, moreover, must be confined to individual permit areas.

The effect is to deter a company from exploring in the first place – and, where exploration is done, to limit it to areas where the tax is being paid.

Beyond this the industry has problems with the new capital gains tax, notably in relation to so-called farm-out deals, where partners are brought in to help explore permit areas. It also dislikes the cash-bidding system which, in demanding advance payments to explore, diverts exploration budget money to the Government.

More generally, the industry is unhappy with the new fringe benefits tax, which adds to their business costs, and the rise in corporate tax last year from 46 per cent to 49 per cent.

In spite of these complaints, the Government continues to rule out further incentives to encourage exploration.

Indeed, the trend is expected to show an improvement in 1988 – but this is mainly because last year's low was a response to the plunge in oil prices.

Whether it signifies a reversal in the underlying trend is another matter. In the wake of the share market crash, companies are finding it more difficult to raise cash.

More importantly, the cruel fact is that no major discovery has been made in Australia since the 300m-barrel Fortescue Field was found offshore in the Bass Strait near Victoria in 1978.

There are high hopes for smaller finds, notably in a 2,000-mile band of the Timor Sea. But short of a major discovery, even a vastly accelerated exploration effort is not expected to compensate for Australia's decline.

NEW ZEALAND'S hopes that the newly discovered Kupe South oil field would prove a significant find have been boosted by preliminary test results, writes Terry Hall in Wellington.

The latest test on the field, 30 kms off the Taranaki coast on the North Island, produced oil at a rate of 4,590 barrels a day from the 3B well, together with 9.6m cubic feet of gas.

Two previous wells on the field flowed at up to 2,000 barrels a day.

While the operators, Canadian-owned TCPL Resources (40 per cent) and NZ Oil and Gas (22 per cent) have expressed caution, others in the industry, backed by Mr David Butcher, the Energy Minister, and Mr Jim Bolger, the opposition leader, have noted that indications are that the field appears larger than the producing Shell-BP Todd's Kapuni field in South Taranaki and Petrocorp's McKee and associated fields.

One industry observer said that the field had the potential to produce 17m barrels a year, and New Zealand, which is already a significant producer, now needs to import 13m barrels a year.

'Optimism' on US sugar import plan

BY RICHARD GOURLAY IN MANILA

THE US Department of Agriculture is to issue guidelines on a scheme to import 400,000 tonnes of raw sugar from the Philippines and Caribbean countries in spite of major legal obstacles over how to finance the subsidies that are involved, Mr Richard Lyng the US Secretary of Agriculture said yesterday.

The guidelines will be available in two weeks so that if the legal objections are overcome the programme can be completed before the US fiscal year ends in September, Mr Lyng said.

Some Philippine Congressmen have accused Washington of dragging its feet over what is in effect a special increase in the sugar import quota that the US Congress approved in a Bill hurriedly thrown together just before Christmas.

Under the sugar re-export scheme, US refiners will import some 290,000 tonnes of raw sugar from Caribbean nations and 110,000 tonnes from the Philippines at between 18 and 21 cents a pound. They will then re-export the sugar in refined form at world market prices.

The Bill anticipated that the difference between what the US refiners receive on the world market and the higher price they paid to import the sugar would be met from US Commodity Credit Corporation funds.

However, the department has run into legal problems as these funds are supposed to be for domestic farm subsidies.

"It is still uncertain whether we can use that programme," Mr Lyng said, adding that the Bill had been passed in haste.

Opponents of the Bill say subsidising foreign farmers will set a bad precedent while department officials say the scheme could contravene US anti-dumping policies.

US sugar imports have fallen sharply over recent years because of subsidies for American growers, increased production of sugar substitutes and falling consumer demand. As a result, the US cut the Philippines' 1988 sugar quota by 23 per cent to 110,600 tonnes.

Mr Lyng confirmed that in "one to three years" there would be no need for the US to import any sugar.

"We would like to get rid of our support price on sugar," Mr Lyng said, "but only if we can get the European Community to stop subsidising the huge quantities of sugar that they dump on the world market every year."

Mr Carlos Dominguez, the Philippines' Agriculture Secretary, welcomed the US decision to produce the sugar re-export guidelines and said it showed optimism that Mr Lyng thought the legal obstacles can be overcome. Mr Lyng gave no such indication, however.

AFTER TWO days of talks in London, the International Sugar Organisation has had to postpone a decision on the implementation of the 1987 agreement, writes Our Commodities Staff.

The meeting was adjourned until March 24, by which time officials believe more importing and exporting countries will be committed to the new agreement. A meeting on Monday is expected to extend the 1984 agreement until March 31.

WORLD COMMODITIES PRICES

LONDON MARKETS

NICKEL, which crashed through the $8,000 a tonne barrier this week, yesterday added another $155 to the cash price, taking it to $8,400 or $3.81 a lb. Some analysts believe the price is now on its way back to the $9,000 a tonne ($4 a lb) peak reached in December. Apart from the low stock levels, the price is being helped by the continuing dispute about exports between Falconbridge and the Dominican Republic and a statement by Inco, the world's largest nickel producer, that it does not intend to increase output this year. Copper and aluminium prices also rose strongly. Traders said the upward trend was being helped by low stock levels and indications that there might not after all be a world economic recession. Coffee prices advanced sharply in the afternoon – the three-month robusta contract closed at £1,302 a tonne, up £42.

SPOT MARKETS

[illegible]

COCOA £/tonne

[illegible]

COFFEE £/tonne

[illegible]

SUGAR $ per tonne

[illegible]

GAS OIL $/tonne

[illegible]

GRAINS £/tonne

[illegible]

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

[illegible]

POTATOES £/tonne

[illegible]

SOYABEAN MEAL £/tonne

[illegible]

FREIGHT FUTURES $10/index point

[illegible]

FRUIT AND VEGETABLES

[illegible]

LONDON BULLION MARKET

[illegible]

LONDON METAL EXCHANGE TRADED OPTIONS

[illegible]

US MARKETS

GOLD EASED SLIGHTLY in light volume as traders anticipated a low US merchandise trade figure and was dominated by local activity, reports Drexel Burnham Lambert. Platinum continued firm, but silver traded quietly around unchanged levels. Copper rallied in early trading but fell back with heavy long liquidation on the close. Crude oil eased initially on commission house selling and trade selling of the March/April spread, but rallied on local and trade buying which prompted short-covering. Sugar rallied on follow-through buying, but closed mid-range as resistance was met. A major feature was a widening of the nearby spreads against forward contracts. Overseas and fund buying firmed coffee in the face of trade selling. Cattle futures eased as traders perceived that dressed beef prices had stalled. Live hogs and bellies eased, despite the effects of cold weather, as higher hog prices prompted selling by farmers, which in turn should lead to higher hog runs and lower prices. The soyabean complex derived support from a recovery in meal cash premiums.

New York

GOLD 100 troy oz; $/troy oz

[illegible]

PLATINUM 50 troy oz; $/troy oz

[illegible]

SILVER 5,000 troy oz; cents/troy oz

[illegible]

COPPER 25,000 lbs; cents/lbs

[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel

[illegible]

HEATING OIL 42,000 US galls, cents/US galls

[illegible]

COCOA 10 tonnes;$/tonnes

[illegible]

COFFEE "C" 37,500lbs; cents/lbs

[illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs

[illegible]

COTTON 50,000; cents/lbs

[illegible]

ORANGE JUICE 15,000 lbs; cents/lbs

[illegible]

INDICES

[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb

[illegible]

SOYABEAN MEAL 100 tons; $/ton

[illegible]

MAIZE 5,000 bu min; cents/56lb bushel

[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs

[illegible]

LIVE HOGS 30,000 lb; cents/lbs

[illegible]

PORK BELLIES 38,000 lbs; cents/lb

[illegible]

مكنز من الأصل

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Trade figures hold the key

THE DOLLAR was comfortably cocooned for most of yesterday as short term investors stayed away from currency markets. With the spread on estimates for December's US trade figures likely to be almost as much as the figure itself, it was hardly surprising that participation yesterday was minimal.

US January retail sales figures rose by 0.5 p.c. and 0.2 p.c. excluding auto sales. These were both higher than expected and the market chose to ignore the erratic nature of this number, preferring to revise estimates of the deficit to a slightly larger figure.

The fact that US leading economic indicators fell for three consecutive months was regarded now as less relevant, as a leading component of the basket was retail sales. Since these had been revised upwards, there was every possibility that the decline in indicators would be reduced accordingly.

With hindsight, analysts and traders alike were able to say everything apart from what the actual deficit would be, and so the dollar closed little changed against the D-Mark at DM1.6910 from DM1.6900, and Y129.10 compared with Y129.00. Elsewhere it finished at SFr1.3870 from SFr1.3860 and FFr5.7175 from FFr5.7100. On Bank of England figures, the dollar's exchange rate index was unchanged at 94.8.

STERLING-Trading range against the dollar in 1987/88 is 1.8785 to 1.4710. January average 1.8001. Exchange rate index 74.3, unchanged from the opening and down from 74.4 on Wednesday. The six months ago figure was 72.2.

With the weight of market interest firmly fixed on today's US trade figures, it was hardly surprising that sterling did not get much of a look in.

In fact the pound held up surprisingly well, given the feeling that a rise in the dollar would probably switch the speculators' predatory eye sterling's way. The thought of higher interest rates being readily used to support sterling probably helped to prevent any speculative fairy stories taking root. But there was still a strong lobby pointing towards a lower pound later this year.

For the time being the UK Government seems less than inclined to allow sterling to take the strain of an inflationary rise in unit labour costs. However British management may well test the Government's resolve, in preference to cutting back on production.

The pound closed at $1.7585 against $1.7615 and DM2.9725 compared with DM2.9775. It was slightly lower against the yen at Y227.0 from Y227.25. Elsewhere it finished at SFr2.4400 from SFr2.4425 and FFr10.0550 compared with FFr10.0575.

D-MARK-Trading range against the dollar in 1987/88 is 1.9305 to 1.5740. January average 1.6547. Exchange rate index 149.4 against 145.4 six months ago.

The dollar closed towards the day's lows in Frankfurt as traders were less than inclined to open fresh positions ahead of today's release of US trade figures for December. The US unit finished at DM1.6885 from DM1.6915 on Wednesday.

Some traders were adamant that comments by Mr Clayton Yeutter, US Trade Representative, were based on indications that the deficit would be higher for December than earlier expected, but this appeared to be insufficient to tempt traders from carrying exposed positions.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Feb.11	% change from central rate	% change adjusted for divergence	Divergence limit %
[illegible]					

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Feb.11	Latest	Previous Close
[illegible]		

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb.11	Previous
[illegible]		

CURRENCY RATES

Feb.11	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]			

All SDR rates for February 10

CURRENCY MOVEMENTS

Feb.11	Bank of England Index	Morgan Guaranty Changes %
[illegible]		

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100). Rates are for Feb.10

OTHER CURRENCIES

Feb.11	£	$
[illegible]		
Luxembourg	62.10-62.20	35.30-35.40
Malaysia	4.5270-4.5385	2.5760-2.5780
Mexico	4011.15-4027.50	2281.00-2289.00
N. Zealand	2.6505-2.6555	1.5065-1.5095
Saudi Ar.	6.5925-6.5980	3.7500-3.7510
Singapore	3.5470-3.5525	2.0160-2.0180
S. Af (Cm)	3.5795-3.5965	1.9940-2.0410
S. Af (Fn)	4.9560-5.0995	2.8170-2.8985
Taiwan	50.20-50.45	28.55-28.65
U.A.E.	6.4500-6.4620	3.6725-6.6735

*Selling rate

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Feb.11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]						

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 35.40-35.50.

POUND SPOT- FORWARD AGAINST THE POUND

Feb.11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]						

Belgian rate is for convertible francs. Financial franc 62.30-62.45. Six-month forward dollar 2.32-2.27cpm 12 month 4.35-4.25cpm

EURO-CURRENCY INTEREST RATES

Feb.11	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]						

Long term Eurodollars: two years 8-7⅞ per cent; three years 8⅛-8 per cent; four years 8⅜-8¼ per cent; five years 8⅝-8½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Feb.11	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]										
F Fr.	0.994	1.749	2.955	225.6	10.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.410	0.721	1.218	93.03	4.123	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.300	0.527	0.891	68.00	3.014	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.456	0.802	1.356	103.6	4.589	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.449	0.790	1.335	101.9	4.517	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.609	2.830	4.784	365.2	16.19	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Gilts and US bonds lower

A LATE straw poll, using many leading analysts, suggested that today's release of US trade figures for December would provide a larger deficit than previously expected. Conceding that disappointment is relative, Mr Nick Parsons of Union Discount, volunteered that recent evidence, as shown by a rise in retail sales and wholesale inventories, pointed towards buoyant consumer spending. On this basis US imports were likely to be strong enough to give a poor December trade figure.

US bond futures were certainly less than impressed with a 0.5 rise in January retail sales, compared with estimates of a flat figure. Even taking into account the historically erratic nature of the figure, there was no escaping the upward revision both in December and November data.

Against this background, the March Treasury bond price reversed an earlier trend, which took it from an opening level of 95-01 to a high of 95-09, to finish at 94-08, down from 94-28 on Wednesday.

UK gilt futures opened a little stronger in Liffe trading but prominence given to a report from Barclay's Bank, suggesting a rise in cash rates later this year, was sufficient to undermine confidence, even though sterling showed little overall change on the day. In short, ahead of the US trade figures, sentiment was open to offers and there seemed little chance of establishing a realistic trend until the market found out the size of the deficit.

The March long gilt price opened at 119-13, up from 119-06 and touched a high of 119-15 before finishing at 118-23.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
116	2.53	4.07	0.07	1.25
118	1.15	2.58	0.33	2.12
120	0.22	1.62	1.40	3.16
122	0.05	1.19	3.23	4.37
124	0.01	0.51	5.19	6.05
126	0.00	0.31	7.18	7.49
128	0.00	0.19	9.18	9.37
130	0.00	0.10	11.18	11.28

Estimated volume total, Calls 1801 Puts 2294
Previous day's open int: Calls 47822 Puts 30709

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
82	12.16	11.23	0.00	0.11
84	10.16	9.34	0.00	0.22
86	8.16	7.52	0.00	0.40
88	6.17	6.15	0.01	1.03
90	4.21	4.46	0.05	1.34
92	2.35	3.24	0.19	2.12
94	1.03	2.11	0.51	2.63
96	0.21	1.21	2.05	4.09

Estimated volume total, Calls 71 Puts 16
Previous day's open int: Calls 1615 Puts 1785

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Feb	Calls-settlements Mar	Puts-settlements Feb	Puts-settlements Mar
16000	12.58	14.41	0.18	2.01
16500	8.13	10.85	0.73	3.45
17000	4.52	7.85	2.12	5.45
17500	2.09	5.46	4.69	8.06
18000	0.79	3.64	8.39	11.24
18500	0.24	2.33	12.84	14.93
19000	0.06	1.43	17.66	10.03
19500	0.01	0.84	22.61	23.44

Estimated volume total, Calls 0 Puts 13
Previous day's open int: Calls 12 Puts 89

LIFFE £/$ OPTIONS

£25,000 (cents per £1)

Strike Price	Calls-settlements				Puts-settlements			
[illegible]								

LONDON SE £/$ OPTIONS

£12,500 (cents per £1)

Strike Price	Calls-settlements				Puts-settlements			
[illegible]								

PHILADELPHIA SE £/$ OPTIONS

£12,500 (cents per £1)

Strike Price	Calls				Puts-settlements			
[illegible]								

LIFFE- EURODOLLAR OPTIONS

$1m points of 100%

Strike Price	Calls-settlements				Puts-settlements			
[illegible]								

LONDON

20-YEAR 12% NOTIONAL GILT

£50,000 32nds of 100%

	Close	High	Low	Prev.
[illegible]				

7-10 YEAR 9% NOTIONAL GILT

£50,000 32nds of 100%

	Close	High	Low	Prev.
[illegible]				

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND

Y100m 100ths of 100%

	Close	High	Low	Prev.
[illegible]				

THREE MONTH STERLING

£500,000 points of 100%

	Close	High	Low	Prev.
[illegible]				

FT-SE 100 INDEX

£25 per full index point

	Close	High	Low	Prev.
[illegible]				

THREE MONTH EURODOLLAR

$1m points of 100%

	Close	High	Low	Prev.
[illegible]				

U.S. TREASURY BONDS (8%)

$100,000 32nds of 100%

	Close	High	Low	Prev.
[illegible]				

CURRENCY FUTURES

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
[illegible]				

IMM-STERLING Se per £

	Close	High	Low	Prev.
[illegible]				

LIFFE-STERLING £25,000 $ per £

	Close	High	Low	Prev.
[illegible]				

CHICAGO

U.S. TREASURY BONDS (CBT) 8%

$100,000 32nds of 100%

	Latest	High	Low	Prev.
[illegible]				

U.S. TREASURY BILLS (IMM)

$1m points of 100%

	Latest	High	Low	Prev.
[illegible]				

SWISS FRANC (IMM)

SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
[illegible]				

JAPANESE YEN (IMM)

Y12.5m $ per Y100

	Latest	High	Low	Prev.
[illegible]				

DEUTSCHE MARK (IMM)

DM125,000 $ per DM

	Latest	High	Low	Prev.
[illegible]				

THREE-MONTH EURODOLLAR (IMM)

$1m points of 100%

	Latest	High	Low	Prev.
[illegible]				

STANDARD & POORS 500 INDEX

$500 times index

	Latest	High	Low	Prev.
[illegible]				

MONEY MARKETS

UK rates move up on cautious note

INTEREST RATES edged up in nervous trading yesterday. Short term rates were influenced by a shortfall in the Bank of England's assistance to cover day to day shortages, while longer term rates reacted to a bearish report by Barclays Bank. This claimed that UK interest were due to rise later this year, although looking back on previous projections, this was hardly a revelation.

UK clearing bank base lending rate 9 per cent from February 2November 5

However the market decided to err on the side of caution and three-month interbank money rose to 9¼-9⅝ p.c. from 9⅜-9¼ p.c. while the one year rate was higher at 9¹¹⁄₁₆-9⁹⁄₁₆ p.c. from 9⅜-9½ p.c. Overnight money opened at 7¼ p.c. and eased initially to a low of 7 p.c. But the lack of assistance later in the day saw bids of up to 15 p.c. towards the close.

The Bank of England forecast a shortage of around £200m and factors affecting the market included repayment of any late assistance and bills maturing in official hands together with a take up of Treasury bills draining £93m and Exchequer transactions a further £35m. There was also a rise in the note circulation of £55m and banks brought forward balances £15m below target.

The forecast was revised to a shortage of around £300m and the Bank gave assistance in the morning of £44m through outright purchases of £18m of local authority bills and £26m of eligible bank bills, all in band 4 at 8⅞ p.c. A further revision took the forecast to a shortage of around £350m before taking into account the early help and the Bank gave additional help in the afternoon of £16m through outright purchases of eligible bank bills in band 4 at 8⅞ p.c. Late help came to £105m, making a total of £150m.

In Frankfurt call money was a little easier at 3.15-3.25 p.c. from 3.25-3.35 p.c. on Wednesday, following the generous size of this week's sale and repurchase allocation. Commercial banks' reserve asset holdings with the central bank rose on Tuesday to DM53.5bn to give a nine-day average of DM53.1bn. This is still below the expected minimum requirement of around DM54.5bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.11) 3 months US dollars | 6 months US Dollars

bid	offer	bid	offer
[illegible]	[illegible]	[illegible]	offer 6⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds	
Prime rate	[illegible]	One month	[illegible]
Broker loan rate	[illegible]	Two month	[illegible]
Fed.funds	[illegible]	Three month	[illegible]
Fed.funds at intervention	[illegible]	Six month	[illegible]
		One year	[illegible]
		Two year	[illegible]
		Three year	[illegible]
		Five year	[illegible]
		Seven year	[illegible]
		10-year	[illegible]
		30-year	[illegible]

Feb.11	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]					
Paris	[illegible]					
Zurich	[illegible]					
Amsterdam	[illegible]					
Tokyo	[illegible]					
Milan	[illegible]					
Brussels	[illegible]					
Dublin	[illegible]					

LONDON MONEY RATES

Feb.11	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]					
Interbank Bid	[illegible]					
Sterling CDs	[illegible]					
Local Authority Deps.	[illegible]					
Local Authority Bonds	[illegible]					
Discount Mkt Deps	[illegible]					
Company Deposits	[illegible]					
Finance House Deposits	[illegible]					
Treasury Bills (Buy)	[illegible]					
Bank Bills (Buy)	[illegible]					
Fine Trade Bills (Buy)	[illegible]					
Dollar CDs	[illegible]					
SDR Linked Dep Offer	[illegible]					
SDR Linked Dep Bid	[illegible]					
ECU Linked Dep Offer	[illegible]					
ECU Linked Dep Bid	[illegible]					

Treasury Bills (sell); one-month 8⅝ per cent; three months 8⅝ per cent; Bank Bills (sell); one-month 8⅝ per cent; three months 8⅝ per cent; [illegible]

Company Notices

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the latest available rate of exchange for the U.S. dollar against various currencies as of Wednesday, February 10, 1988. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America Global Trading, London, New York, Tokyo, San Francisco, Los Angeles, Toronto.
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Enquiries: 01-634 4360/5. Dealing: 01-236 9861.

ECU=$US1.22079 SDR1=$US1.35831
As of February 10, at 11.00 a.m.

	3 months	6 months
Eurodollar Libor:	6⅝	6⅞
Sibor:	6⅝	6⅞

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
[illegible]								

n.a. Not available. (m) Market rate. (o) Official rate. (b) Floating rate. (c) Commercial rate. (d) Financial rate. [illegible] For further information please contact your local branch of the Bank of America.

EUROPEAN OPTIONS EXCHANGE

Series		Feb. 88 Vol	Feb. 88 Last	May 88 Vol	May 88 Last	Aug. 88 Vol	Aug. 88 Last	Stock
GOLD C	$ 460	13	0.90	10	12.50 B	2	20.10	$ 441.80
GOLD C	$ 480	2	0.10	261	6.50	19	14	$ 441.80
GOLD C	$ 500	11	0.10	10	3.50	30	9.90	$ 441.80
GOLD P	$ 400	52	0.30	-	-	93	6.50	$ 441.80
GOLD P	$ 440	5	4.50	22	14	19	18.50	$ 441.80
GOLD P	$ 460	22	19	12	24	-	-	$ 441.80
		Feb. 88		Mch. 88		Apr. 88		
EOE Index C	Fl. 155	18	23	-	-	-	-	Fl. 177.90
EOE Index C	Fl. 165	30	13.50 A	-	-	-	-	Fl. 177.90
EOE Index C	Fl. 170	43	9	8	11.30	-	-	Fl. 177.90
EOE Index C	Fl. 175	110	5.20	7	9	6	10.50 B	Fl. 177.90
EOE Index C	Fl. 180	227	2.50	23	5.50	-	-	Fl. 177.90
EOE Index C	Fl. 185	241	1.10	48	4	58	5.50	Fl. 177.90
EOE Index P	Fl. 165	15	0.80	21	2.80	3	4	Fl. 177.90
EOE Index P	Fl. 170	127	1.60	206	4.10	71	6.50	Fl. 177.90
EOE Index P	Fl. 175	51	2.70	4	6.20	286	8	Fl. 177.90
EOE Index P	Fl. 180	8	4.50	22	9	-	-	Fl. 177.90
EOE Index P	Fl. 185	7	8.50	10	10.70 B	10	12.50 B	Fl. 177.90
$/Fl C	Fl. 185	50	5 A	7	5.70	30	7	Fl. 189.55
$/Fl C	Fl. 190	151	1.80	75	3	-	-	Fl. 189.55
$/Fl C	Fl. 195	10	0.50	12	1.50	42	2	Fl. 189.55
$/Fl C	Fl. 200	-	-	22	0.60	-	-	Fl. 189.55
$/Fl C	Fl. 205	-	-	10	0.20	-	-	Fl. 189.55
$/Fl P	Fl. 185	128	0.50	111	1.70	-	-	Fl. 189.55
$/Fl P	Fl. 190	51	2	42	3.60	-	-	Fl. 189.55
$/Fl P	Fl. 195	-	-	35	7.20	-	-	Fl. 189.55
$/Fl P	Fl. 200	-	-	35	10.70	-	-	Fl. 189.55

		Apr. 88 Vol	Apr. 88 Last	Jul. 88 Vol	Jul. 88 Last	Oct. 88 Vol	Oct. 88 Last	Stock
ABN C	Fl. 40	66	0.70	70	1.50	71	2	Fl. 36.90
ABN P	Fl. 45	-	-	64	9.20	49	10	Fl. 36.90
AEGON C	Fl. 65	68	1.20	11	1.90	-	-	Fl. 60.50
AHOLD C	Fl. 70	26	5.80	-	-	-	-	Fl. 73.20
AHOLD P	Fl. 70	73	2.20	1	4 A	-	-	Fl. 73.20
AKZO C	Fl. 100	392	1.80	158	3.40	22	5.90	Fl. 91.20
AKZO P	Fl. 80	152	1	31	3.70	-	-	Fl. 91.20
AMEV C	Fl. 40	57	1.60	40	2.80	-	-	Fl. 39.70
AMEV P	Fl. 35	25	0.50	32	1.60	25	2.70	Fl. 39.70
AMRO C	Fl. 55	125	3.80	-	-	47	4.20	Fl. 56.80
ELSEVIER C	Fl. 45	109	1.80	20	4	2	5 B	Fl. 44
ELSEVIER P	Fl. 60	84	15.90	-	-	-	-	Fl. 44
GIST-BROC. C	Fl. 30	84	0.90	60	1.70	4	3	Fl. 27.70
GIST-BROC. P	Fl. 27.50	34	1.90	34	3	2	4.30	Fl. 27.70
HEINEKEN C	Fl. 120	39	4.90	25	8.80 A	-	-	Fl. 116.20
HEINEKEN P	Fl. 110	23	3.60	3	6.50 A	-	-	Fl. 116.20
HOOGOVENS C	Fl. 22.50	133	4.30	-	-	-	-	Fl. 26
HOOGOVENS P	Fl. 25	59	1.50	8	2.70 A	-	-	Fl. 26
KLM C	Fl. 35	928	0.90	352	1.80	141	2.30	Fl. 32.10
KLM P	Fl. 30	117	1	58	1.90	15	3.40	Fl. 32.10
NEDLLOYD C	Fl. 180	62	7.70	17	13.80	25	18.50 B	Fl. 164.50
NEDLLOYD P	Fl. 160	78	10.50	11	15.50 B	-	-	Fl. 164.50
NAT.NED. C	Fl. 55	573	1.50	533	2.50	30	3.40	Fl. 53.30
NAT.NED. P	Fl. 50	70	1	144	2.50	-	-	Fl. 53.30
PHILIPS C	Fl. 40	432	0.10	-	-	-	-	Fl. 25.50
PHILIPS P	Fl. 22.50	10	0.70	287	1.30	64	1.90	Fl. 25.50
ROYAL DUTCH C	Fl. 220	475	3.50	53	5.40	1	9	Fl. 212.30
ROYAL DUTCH P	Fl. 200	235	2.40 A	36	7	-	-	Fl. 212.30
ROBECO C	Fl. 80	-	-	20	7.80	-	-	Fl. 84.60
ROBECO P	Fl. 80	-	-	15	4.50	-	-	Fl. 84.60
UNILEVER C	Fl. 110	490	5.10	86	8	25	10.50	Fl. 110.20
UNILEVER P	Fl. 110	135	4.60	213	9	-	-	Fl. 110.20

TOTAL VOLUME IN CONTRACTS : 25,172

A=Ask B=Bid C=Call P=Put

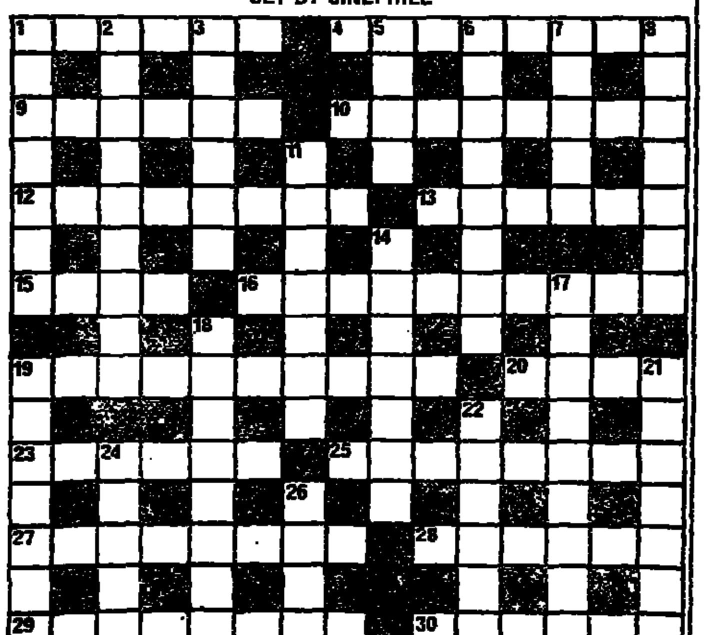
BASE LENDING RATES

	%		%		%
ABN Bank	9	Citibank NA	9	Nat Bk. of Kuwait	9
Adam & Company	9	City Merchants Bank	9	NatWestminster	9
AAB - Allied Arab Bk	9	Clydesdale Bank	9	Northern Bank Ltd	9
Allied Irish Bank	9	Comm.Bk.N.East	9	Norwich Gen. Trust	9
American Exp.Bk	9	Consolidated Cred	9	PK Finans. Intl(UK)	9½
Amro Bank	9	Co-operative Bank	*9	Provincial Bank PLC	10
Henry Ansbacher	9	Cyprus Popular Bk	9	R. Raphael & Sons	9
ANZ Banking Group	9	Dunbar Bank PLC	9	Roxburghe G'rantee	9½
Associates Cap Corp	10	Duncan Lawrie	9	Royal Bk of Scotland	9
Authority Bank	9	Equatorial Bank plc	9	Royal Trust Bank	9
B & C Merchant Bank	9	Exeter Trust Ltd	9½	Smith & Williams Secs.	9
Banco de Bilbao	9	Financial & Gen. Sec	9	Standard Chartered	9
Bank Hapoalim	9	First Nat. Sec. Ltd.	9½	TSB	9
Bank Leumi (UK)	9	● Robert Fleming & Co.	9	UDT Mortgage Exp	¶10.2
Bank Credit & Comm	9	Robert Fraser & Ptrs.	10	United Bk of Kuwait	9
Bank of Cyprus	9	Girobank	9	United Mizrahi Bank	9
Bank of Ireland	9	Grindlays Bank	9	Unity Trust Bank Plc	9
Bank of India	9	● Guinness Mahon	9	Western Trust	9
Bank of Scotland	9	HFC Trust & Savings	9	Westpac Bank Corp.	9
Banque Belge Ltd	9	● Hambros Bank	9	Whiteaway Laidlaw	9½
Barclays Bank	9	Heritable & Gen Inv Bk	9	Yorkshire Bank	9
Benchmark Bank PLC	9	● Hill Samuel	§9		
Berliner Bank AG	9	C. Hoare & Co.	9		
Brit Bk of Mid East	9	Hongkong & Shangh	9		
● Brown Shipley	9	Lloyds Bank	9		
Business Mtge Tst	9	Meghraj Bank Ltd	9		
CL Bank Nederland	9	Midland Bank	9		
Central Capital	9	● Morgan Grenfell	9		
● Charterhouse Bank	9	Mount Banking Corp.	9		

● Members of the Accepting Houses Committee. * 7 day deposits 4.00% Savewise 6.66%. Top Tier-£2,500+ at 3 months' notice 8.31%. At call when £10,000+ remains deposited. ¶ Mortgage base rate. § Demand deposit 4.00%. Mortgage 10% - 10.25%

FT CROSSWORD No.6,554

SET BY CINEPHILE



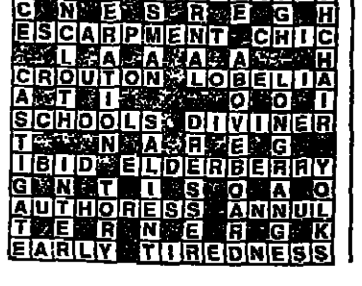
ACROSS

1, 9 Rational composer without hesitation precedes people – it's poetical (6,6)
4 Goody! Sound like composers Bert and Mann! (3-5)
9 See 4
10 Composer keeping in top class (8)
12 Composer returns part, unaccompanied? (8)
13 Light what sounds dark after one note (6)
15 Sometimes python has spot (4)
16 Deaf aid 'as middle, bottom and diminutive ending (3-7)
19 Composer, not second rate, is slow on purpose (10)
20, 26 down Problem fellow with publicity for a revolutionary (8)
23 Composer losing a little weight, home bird (6)
25 Having a harsh voice, composer put in a bit of glycerine (8)
27 Grieg's company set Virgil's poems (8)
28 Sounds like a composer one can get hold of (6)
29 Composer cut short before journalist is removed from vehicle (8)
30 Geneticist, composer's father? (6)

DOWN

1 I am sailor in signal for painter (7)
2 I clam up in exposure of local government (9)
3 Twist round abdominal organ (6)
5 Composition obligatory for men? (4)
6 Maps hung badly produce moss (8)
7 One pen put up for antelope (5)
8 Have an idea who the police are on to? (7)
11 Guinea capital for rabbit outside wreck of ark (7)
14 Sculpture's about right for size (7)
17 Finish of crossword, without having clues in advance, is impossible (9)
18 Shortens article on auction and contract? (8)
19 Mother, no longer young, gets hurt (7)
21 No liquor allowed to one in prison for battery? (3,4)
22 A number swallowed fly (6)
24 Greek character with medical degree is equilateral (5)
26 See 20 across

Solution to Puzzle No.6,553



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Scimitar Asset Management Ltd
8 Crosby Sq, London EC3A 6AQ 01-588 6993/4/5

Scimitar Global Gth Acc	25.8	27.5	-0.3	-
Do Income	25.7	27.4	-0.3	0.19
Scimitar European Acc	19.3	20.6	+0.1	-
Do. Income	19.3	20.6xd	+0.1	0.11
Scimitar UK Eq Inc Acc	33.1	34.9	+0.2	-
Do. Income	33.7	35.4	+0.3	3.65
UK Cap Gth Acc	22.0	23.2	+0.1	0.75
Scimitar Pac Basin Acc	27.7	29.5	-0.2	-
Scimitar Mangd Exempt*	135.0	140.7xd	+0.5	-

*Unauthorised

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-558 1051

Inest Income Units	122.0	129.8	-	3.62
Inest Accum Units	186.6	198.5	-	3.62
UK General Acc	36.3	38.8	+0.6	3.38
UK General Inc	34.9	37.3	+0.5	3.38
American	26.6	28.4	+0.9	2.13
European	33.3	35.6	+0.1	1.26
Japan	55.2	59.1	-	0.03
Technology	33.5	35.8	+0.6	2.29
Performance Trusts				
Far East Perf Tst	16.7	17.9	+0.3	2.00
High Inc Perf Tst Inc	22.9	24.5	+0.1	5.36
High Inc Perf Tst Acc	23.4	25.0	+0.1	5.36
Worldwide Tact Perf Tst	26.6	28.4	+0.3	2.71

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK)	200.9	214.9	+2.6	2.70
Columbus (US)	127.7	136.6	+2.7	1.37
Marco Polo (Pac)	201.2	215.2	-0.7	0.36
Da Vinci (Eur)	211.4	226.2	+0.9	1.79
Drake (Wld)	80.2	85.7	+0.6	2.68

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

UK Equity	194.5	207.0	+2.0	2.77
UK Smlr. Cos. Equity	199.4	212.2	+0.8	2.11

Trades Union Unit Trust Managers
100 Wood Street, London EC2 01-686 4355

TUUT Feb 1	213.5	224.8	-	5.38

Triton Fd Mngrs. Ltd.
Royal Ldn. Hse, Colchester CO1 1RA 0206 764400

Triton General	139.8	150.4	+1.4	1.45

Tyndall Unit Trust Managers Limited
25 Bucklesbury, London EC4N 248 3399

Convertible & General	58.4	61.9xd	+0.2	6.49
Accum Units	59.5	63.1	+0.3	-
Income	78.5	83.9	+0.7	5.15
Accum Units	78.5	83.1	+0.7	-
Smaller Co's	81.6	88.3xd	+2.3	1.84
Accum Units	82.5	89.2	+2.3	-
UK Growth	84.7	89.8	+1.0	2.92
Accum Units	84.7	89.8	+1.0	-
Pacific Gold Tst Acc	47.6	50.5	-	-

UK Unit Trust Managers Ltd
Worthing Road, Horsham, RH12 1SL 0403 40033

British Growth Fd	54.9	58.5	+0.7	1.83
Technical Analysis Fd	48.1	51.2	+0.2	3.56

Unit Trust Account & Mgmt. Ltd
20 Copthall Ave, London, EC2R 7PA 01-588 6064
Adviser: Henderson Crosthwaite Ltd

Friars Hse Cap Fd	172.3	183.3	-	1.48
Friars Hse Inc Fd	149.8	157.7xd	-	3.83

United Charities Unit Trusts (a)(c)(g)
Unicorn Hse, 252 Romford Rd, EC. 01-534 5544

United Charities	165.2	175.7	+1.8	4.61

Vanguard Trust Managers Ltd
65 Holborn Viaduct, London EC1A 2EU 01-236 3053
Dealing Line: 01-236 2468

Glenlivet	177.4	188.7	-	-
(Accum Units)	180.7	192.3	-	1.53
Far East & Gen	52.1	55.4	-	-
(Accum Units)	52.1	55.4	-	-

INSURANCES

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Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941
Life Assurance Funds

Wealth Assur.	372.1	391.8	—	—
Ebr Ph. Eq.	334.1	356.5	—	—

Pension Plan Funds
Phoenix

UK Equity Acc.	157.5	165.7	+1.7	—
International Acc.	124.1	130.6	+1.6	—
Property Acc.	123.1	129.5	—	—
Fixed Interest Acc.	150.8	158.7	+0.7	—
Money Acc.	136.1	143.2	—	—
Bldg. Soc. Link Acc.	133.1	140.1	+0.1	—
Special Mngd. Acc.	141.3	148.7	+1.3	—

Phoenix/Framlington

Intnl. Growth Acc.	81.9	86.2	−0.3	—
Amer. & Gen. Acc.	76.1	80.1	−0.5	—
Capital Tst. Acc.	166.7	175.4	+0.5	—
Japan & Gen Acc.	174.8	183.9	+1.2	—
American Turn. Acc.	76.3	80.6	−0.3	—
Recovery Tst. Acc.	155.7	163.8	−0.31	—
Special Mngt Acc.	135.8	142.9	+0.2	—

Phoenix/GT

International Acc.	118.0	124.2	+0.4	—
US & General Acc.	85.7	90.2	+0.3	—
Amer Spec Sits Acc.	59.0	62.1	+0.2	—
Japan & General Acc.	167.2	175.9	+0.4	—
Far East & Gen. Acc.	133.0	140.0	+0.8	—
UK Capital Acc.	163.6	172.2	+0.7	—
European Acc.	129.2	135.9	−1.8	—
Special Mngd. Acc.	119.6	125.8	+0.3	—

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	255.5	269.0	—	—
Max Pens Inc & Cap Fds	322.4	339.4	—	—
Money Fund	111.2	117.1	—	—
Pens. Mngd Fd (Init)	79.0	83.2	—	—
Pens Mngd Fd (Acc)	88.5	93.2	—	—
Pens FT30 Fd (Init)	121.1	127.5	—	—
Pens FT30 Fd (Acc)	135.6	142.8	—	—
Pens O'seas MgFd(Init)	52.7	55.5	—	—
Pens O'seas MgFd(Acc)	59.0	62.2	—	—
Pens Fxd Int Fd (Init)	106.6	112.3	—	—
Pens Fxd Int Fd (Acc)	119.4	125.7	—	—
Pens Deposit Fd (Init)	100.7	106.0	—	—

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222
Prufund

Managed Feb 10	191.0	199.0	—	—

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed Fd.	420.9	443.1	+3.6	—
Equity Fd.	850.9	895.7	+9.9	—
Intnl. Fd.	294.5	310.0	+3.8	—
Fixed Int. Fd.	357.3	376.2	+1.7	—
Prop. Fd.	302.8	318.8	—	—
Cash Fd.	233.5	245.8	—	—
Pacific Basin Fd.	160.1	168.6	+0.3	—
North American Fd.	119.2	125.5	+3.0	—
European Fd.	127.7	134.5	+0.7	—
Holborn Balanced Cash Fd	95.4	100.5	—	—
Holborn Strategic Cash Fd	95.3	100.4	—	—

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed	443.8	467.2	—	—
Equity	624.8	657.7	—	—
Global Equity	184.9	194.7	+3.3	—
Fixed Interest	363.2	382.4	—	—
Property	302.5	318.5	—	—
Cash	137.5	144.8	—	—
Index Linked Gilt	162.1	170.7	—	—
Guaranteed	8.81	9.36	—	—
International Money	188.4	198.4	—	—
North American Fd.	53.3	56.1	—	—
Japanese Fund	114.5	120.6	—	—
European Fund	67.4	71.0	—	—
Special Situations Fd.	90.6	95.4	—	—
Communications Fund	74.5	78.5	—	—
Smaller Cos Fund	89.8	94.6	—	—

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretry Feb 10	£118.77	122.23	−2.32	—
Equity Fund Feb 10	£126.22	130.05	−4.67	—
Intnl Fund Feb 10	£19.95	20.55	+0.11	—
Intl Bond Fd Feb 10	£10.95	11.11	+0.36	—

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

BRITISH FUNDS — Contd

Undated

1987/88 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
45⅝	39¾	Consols 4pc	42½	−½	9.37	−
41¼	34¾	War Loan 3½pc‡‡	37⅞	−½	9.24	−
52¼	46½	Conv. 3½pc '61 Aft	49⅝	−½	7.05	−
34½	29¾	Treas. 3pc '66 Aft	31½	−½	9.52	−
29½	24¾	Consols 2½pc	26½	−⅛	9.37	−
29½	24¾	Treas. 2½pc	26½	−⅛	9.37	−

Index—Linked

Stock	(1)	(2)
Treas. 2pc '88 (297.1)	−	−
Do. 2pc '90(333.9)	0.84	2.15
Do. 2pc '92‡‡ (385.8)	2.11	2.74
Do. 2pc '96(267.9)	3.41	3.72
Do 2½pc '01 (308.8)	3.73	3.95
Do. 2½pc '03(310.7)	3.75	3.95
Do. 2pc '06(274.1)	3.80	3.96
Do. 2½pc '09(310.7)	3.79	3.95
Do. 2½pc '11(294.1)	3.79	3.94
Do. 2½pc '13(351.9)	3.74	3.88
Do. 2½pc '16(322.0)	3.71	3.84
Do. 2½pc '20 (327.3)	3.65	3.76
Do. 2½pc '24 ‡‡(385.3)	3.58	3.69

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for May 1987:101.9 and for December 1987: 103.3
(rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1987/88 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
113⅞	97⅞	African Dv Bk 11¼Ln 2010	103½	−⅜	10.77	10.68
109⅞	93	Asian Dev Bk 10¼pcLn2009	99½	−½	10.28	10.28
136	117⅞	Australia 13½pc 2010	124½xd	−⅝	10.86	10.63
118¾	100½	Do. 11¾pcLn2015	107⅞	−½	10.59	10.54
115⅞	99⅝	Euro Inv Bk 11pc Ln 2002	106⅛	−½	10.37	10.18
110⅝	94⅞	Do. 10¼pc2004	101½	−½	10.21	10.16
126⅞	109⅝	Int-Am Dev Bk 12½pc 2003	115½	−½	10.81	10.41
104⅝	88⅝	Do. 9¾pcLn 2015	94⅜	−½	10.33	10.38
97⅝	83	Mlysia 10¾pcLn 2009	89½xd	−¼	12.07	12.19
115	98¾	NZ 11¼pc 2008	105½	−⅜	10.67	10.58
123¼	100⅝	Do 11½pc 2014	107¾	−½	10.67	10.61
130⅞	100½	Sweden 13½pc Ln 2010	124½	−⅝	10.81	10.56
102⅞	87⅝	Int. Mexican States 16½pc 2008	99½	−½	16.56	16.53

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1987/88 High	Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
53	42	Greek 7pc Ass.	45		3.50	f7.78
52	40	Do. 6pc 28 Stb. Ass.	45xd		3	f6.67
50	45	Do 4pc Mixed Ass.	45		2	f4.44
75	58	Hung. '24 Ass.	75		2.75	f3.67
146½	122⅞	Hydro Quebec 15pc 2011	133½	−½	15.00	10.94
136¼	115½	Iceland 14½pc Ln 2016	123½	−½	14.50	11.64
103½	94	Ireland 9¾pc '91-96	99¼xd	−¼	9.75	9.90

AMERICANS

1987/88 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
42	23⅝	Abbott Laboratories‖	27½	+½	$1.00	−	2.0
40⅝	20⅝	Alcoa $1	23¾	+⅛	$1.20	−	2.8
18⅝	420p	¶Allegheny & W $0.01	554p		30c	−	3.0
19½	7½	Amax $1	9¾	+½	−	−	−
30⅝	13½	Amdahl 5c	18⅝	+¼	20c	−	0.6
35⅝	18⅞	Amer. Cyanamid $5	26⅛	+1⅛	$1.05	−	2.2
25½	11½	Amer. Express $0.60	14¾xd	+½	76c	−	2.8
12⅝	636p	Amer. Medical Int. $1	760p		♦72c	−	5.2
22⅞	14⅞	American T. & T. $1	16½	+½	$1.20	−	3.9
65½	43½	Ameritech $1	53¾	+⅞	h$4.72	−	4.8
24⅝	14⅞	Amfach	18⅝	+⅛	−	−	−

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS – Contd

1987/88 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
39	21	Rep NY Corpn $5	24¾	–1	$1.20	–	2.7
18¾	8½	Rockwell Intl. $1	16¾		66c	–	3.5
30¾	16¾	Sara Lee $1(1/3)	22⅝	+⅛	$1.20	–	2.9
11¾	9¾	Saul (B. F.) $1	10⅝	–⅛	20c	–	1.1
27¾	21¾	Southwestern Bell $1	22	+⅛	$2.32	–	5.8
22¼	994p	Staley Continental	12½	+¼	80c	–	3.5
44¾	21¾	Sun Co. Inc. $1	31¾	+⅜	$3.00	–	5.2
42¾	22¾	TRW Inc. $0.625	26⅝	+⅛	$1.60	–	3.3
37¾	21	Tenneco $5	22⅝	–⅛	$3.04	–	7.4
220	149½	Do. 10pcLn.Stk. 91-5	155		10%	–	14.7
29⅝	15⅞	Texaco $6.25	21¾	+⅛	$3.00	–	7.6
74¾	36¾	Time Inc. $1	49½	+¼	$1.00	–	1.1
30¾	15	Transamerica $1	19⅝	–¼	$1.84	–	5.3
14¾	1¼	Transworld Corp $5	962p	+22	20c	–	1.2
27¾	12¼	TRINOVA Corp	17½	–¼	56c	–	1.8
24¾	12⅝	USX $1	17	–¼	$1.20	–	3.9
37¾	16¾	Utd. Technologies	21	+¼	$1.40	–	3.7
38⅝	25¾	US West	31		$3.28	–	5.8
30¾	17¾	Waste Management $1	20½	+½	36c	–	1.0
31¾	11¾	Whirlpool $1.0	16	+¼	–	–	–
37¾	16½	Woolworth $3½	23¾	+⅛	$1.32	–	3.1

CANADIANS

1987/88 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
691p	227p	ABM Gold Corp	264p	+11	–	–	–
26¼p	10p	Abbot Energy Corp.	18p		–	–	–
18⅝	50¼p	Amer. Barrick Res.	10⅛		–	–	–
141p	4p	American Lightwave	4p		–	–	–
122p	32p	Arneno	32p	–5	–	–	–
117p	39½p	Augmitto Expln.	63p	–2	–	–	–
19¾	10⅝	Bk. Montreal	11⅞		$2.00	–	7.5
10½	488p	Bk. Nova Scot.	536p	+7	72c	–	5.7
20¾	15	BCE	17¼	+⅛	$2.48	–	6.1
10⅞	511p	Bow Valley	679p	+2	40c	–	2.6
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, Leasing, etc.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BEERS, WINES & SPIRITS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING, TIMBER, ROADS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHEMICALS, PLASTICS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DRAPERY AND STORES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DRAPERY AND STORES – Contd

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ELECTRICALS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING – Contd

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOOD, GROCERIES, ETC

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HOTELS AND CATERERS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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LONDON SHARE SERVICE

INSURANCES – Contd

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING – Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES – Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND – Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS – Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES – Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's	P/E
87	38	Theme Holdings	48	−2	1.0	1.9	2.9	25.7
36	28	Tomorrows Leisure 20p	31		–	–	–	12.4
210	128	UPL Group 10p	130		L2.41	2.8	2.5	19.5
140	103	Unit Group	140	+2	R4.6	2.5	4.5	(10.0)
85	85	Video Tape Recording 5p	85		L2.3	2.3	3.7	12.2

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● Tap Stock
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ∥ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	67	+2
Craig & Rose £1	663	+25
Finlay Pkg. 5p	78	
Holt (Jos) 25p	£11½	
IoM Stm. £1	252	

IRISH

Fund 11¼% 1988	£100⅜	
Nat. 9¾% 84/89	£100⅜	
Fin. 13% 97/02	£114⅝	
Arnotts	301	+1
CPI Hldgs	75	
Carroll Inds	148	+3
Halt (R. & H.)	107	+1
Helton Hldgs	44	−1
Irish Ropes	123	
Unidare	305	

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	15
BAT	45
BOC Grp	40
BSR	10
BTR	28
Barclays	48
Beecham	46
Blue Circle	42
Boots	26
Bowaters	38
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	24
Cadburys	26
Charter Cons	32
Comm Union	35
Courtaulds	34
FKI Babcock	14
FNFC	25
Gen Accident	85
GEC	15
Glaxo	110
Grand Met	42
GUS 'A'	110
Guardian	87
GKN	30
Hanson	14
Hawker Sidd	48
ICI	100
Jaguar	35
Ladbroke	38
Legal & Gen	30
Lex Service	35
Lloyds Bank	28
Lucas Inds	62
Marks & Spencer	20
Midland Bk	35
Morgan Grenfell	35
NEI	10
Nat West Bk	60
P & O Dfd	52
Plessey	16
Polly Peck	32
Racal Elect	22
RHM	35
Rank Org Ord	60
Reed Intnl	45
STC	25
Sears	14
TI	35
TSB	12
Tesco	16
Thorn EMI	60
Trust Houses	22
T&N	20
Unilever	50
Vickers	18
Wellcome	42
Property	
Brit Land	28
Land Securities	48
MEPC	46
Peachey	40
Oils	
Brit Petroleum	25
Britoil	50
Burmah Oil	45
Charterhall	6
Premier	8
Shell	110
Tricentrol	18
Ultramar	24
Mines	
Cons Gold	100
Lonrho	29
RTZ	38

A selection of Options traded is given on the London Stock Exchange Report Page

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Jan 11	Jan 21	Jan 22	Feb 1
Jan 25	Feb 4	Feb 5	Feb 15
Feb 8	Feb 18	Feb 19	Feb 29

*New time dealings may take place from 9.00 am two business days earlier.

Equities firm but turnover still disappointing while Gilt-edged shade lower

THE ATTENTION OF the UK securities markets switched away from domestic interest rate prospects yesterday, and both Gilts and equities followed the trend in New York as they braced themselves for today's announcement of the Federal trade figures for December.

Turnover in the equity market remained poor and share prices could not hold the best of an early gain of nearly 20 FT-SE points. The fall in US bonds following the latest Federal retail sales statistics undermined British bonds towards the end of the session, leaving net falls of ¾ among long-dated stocks.

The international securities houses are now poised for today's two major hurdles – the UK Retail Prices Index (RPI) for January, due at 11.30am, and the December trade figures from across the Atlantic, due at 1.30pm.

For the domestic RPI figure, the City looks for a rise of between 0.2 pc to 0.5 pc. Any increase beyond this range will be regarded as uncomfortable evidence of further inflationary pressures – to be read against the background of wage pressures at Ford, and in the shipping and healthcare industries.

The US December trade deficit is predicted in London at a median figure of $13.8bn, with Chase Manhattan above the range at $14.5bn and Warburg Securities at $13.4bn.

Equities opened sharply better in response to Wall Street's overnight rise of 47 points. But, despite a batch of satisfactory trading reports from major companies, the market quickly lost momentum when New York opened on a cool note.

The FT-SE 100 index closed a net 11.3 up at 1729.8, making a recovery of 35.3 points over the past three sessions, from the 43 point fall suffered on Monday, the first day of the new trading account.

Once again, however, the story lay in the Seaq turnover statistics, which showed a total of only 352.7m shares traded – hardly changed from the gloomy levels recorded earlier in the week. Trading levels remain well below those regarded as indicating a "viable market".

Yesterday's poor turnover was the more disappointing in view of the rise in share prices, and good profits news from such major groups as BOC Group, Amstrad and, in the previous session, Reuters. Speculative interest in oils was renewed, although the City paid little heed to Britoil's continued rejection of the BP bid, which closes today as both companies debate with the Government the problem of the Golden Shares.

Government securities at first tried to extend the gains of the past two sessions, led forward by the overnight firmness of the key US Treasury bond. At best, long-dated issues were ¼ higher, although much of the gain came before trading commenced, and retail business soon proved to be little better than earlier in the week.

UK Gilts quickly turned back when the US retail sales numbers brought a dip in the New York Federals market. Some UK analysts regarded the sales figures as indicating buoyancy in the US economy, but did not change their forecasts for today's US trade figures announcement.

Index-linked issues, a pointer to the market's inflation views, had another active session which enabled the Bank to sell out the remainder of its **IL Treasury 2½ pc '11** at 105⅝. The authorities also sold more of the **IL Treasury 2½ pc'24** at 78⅞ but then quit the market again. The IL sector is close to being untapped once again, following the persistent demand of the past three weeks.

The long-dated IL stock ('Treasury '11) is the favoured index-linked stock of the institutions, and the authorities are likely to replace it if, as seems likely, it is taken out by the market in the immediate future.

Ultramar became the latest of the oil shares to move into the takeover rumour spotlight and the shares raced up to 263p at one point in the morning before easing to close a net 15 up at 257p; turnover increased to 4.4m shares.

Stories doing the rounds included one that Japanese interests are about to launch an offer for the group on the basis that the Japanese authorities will soon announce tax concessions to companies purchasing oil and gas assets.

But the main bolster to Ultramar shares was the recurring rumour that **British Gas** plans a bid in the region of 300p a share and has already made an offer to Sir Ron Brierley for his near 13 per cent stake in the oil company. Dealers said Sir Ron is keen to unload his stake – acquired for around 206p a share – and that the mooted figure of 300p would be seen as a "sighting shot".

BP "old" – supported yesterday by persistent buying by one major UK securities house – were finally unaltered at 259p, as were the "new" partly-paid; the Kuwait Investment Office revealed that they had picked up 6m partly-paid on Wednesday thereby upping their stake in BP to 19.37 per cent or in excess of 1.155 bn shares. The KIO were thought not to have been buying in the market yesterday.

British Gas edged up 1½ to 133½p on a turnover of 133½p wqhile Calor finally shook off the recent placing of some 2 per cent of Burmah's near 5 per cent stake in the group and rose 5 to 568p.

Carless were a few pence up at 102p ahead of an expected announcement of an onshore oil find in partnership with Pict and Enterprise.

Talk of institutional demand boosted **Clyde** a further 5 to 122p while US support late in the session gave a fillip to **Shell** which closed ½ higher at £10⅛.

Amstrad shares surged up to 143p before closing a net 5 higher at 135p on a turnover of more than 7m shares. The upswing in the shares came as the company confounded critics with interim profits of £90.12m – comfortably above market estimates – and a doubled interim dividend of 0.4p.

The shares peaked at 142p immediately following the results and subsequently ran back as traders and analysts absorbed the cautious comments of Alan Sugar, chairman, on the second half. Traders were confidently predicting a general round of profits upgradings by analysts after their meeting with the company yesterday.

Northern Foods were prominent again, on rumours that Dr John Randall, ex-chief of Avana, has formed a consortium aimed at bidding for the food manufacturing group. Dr Randall quit Avana, an early 80's glamour stock, following its bitterly-contested acquisition last year by Ranks Hovis McDougall (RHM), which launched its bid after picking up a 20.33 pc Avana stake from Northern Foods.

Shares of Northern Foods have traded actively for several sessions and yesterday spurted 5 more to 288p for a rise of 23 in the past week.

The major banks failed to participate in the general market upturn and were again disturbed by worries over further heavy provisions against third world debts. **NatWest**, shaken on Wednesday by rumours of a profits downgrading, slipped 7 more to 569p but the decline showed signs of running out of steam – "this selling has been overdone" a leading dealer said. **Lloyds Bank** remained unsettled by talk of a rights issue and lost 4½ more to 243p. Turnover in **TSB** increased substantially to 5.4m and the shares hardened to 110p with a single sale of 1m followed by a purchase of 1.7m. **Standard Chartered** advanced 9 to 512p following news that a buyer of Union Bank Corporation should be announced before the end of the month.

Legal and General attracted a turnover of 4.2m shares and came under strong pressure before rallying to close unchanged at 259p. **Pearl**, where Larry Adler's FAI holds a stake in excess of 5 per cent, jumped 30 to 443p in the wake of stories that the Adler holding is about to be passed on to another potential predator; but turnover in Pearl was restricted to a modest 1.3m shares. A minor bear squeeze developed in the composite insurers where **Sun Alliance** were outstanding and finally 20 higher at 820p.

Vaux drifted easier as analysts took a neutral stance on the group following Tuesday's open day in the City. Most rearchers were delighted with the stronger-than-expected performance of the hotels division but some thought a prospective p/e multiple of 13.6 a little demanding and advised short-term caution. The shares closed 5 off at 519p.

Leading Building shares followed the general trend with most quotations reverting to overnight closing levels after a firm start. Elsewhere, interest continued to centre on the current speculative favourites. **Manders** were in renewed demand and pushed ahead further to close 23p higher at 383p amid persistent bid speculation. Takeover talk continued in **Geo. Wimpey** which advanced afresh to close 10 higher at 243p. In contrast, **Ward Holdings**, reacted 12 to 169p on profit-taking after the preliminary results and a slightly cautious statement on the outlook.

A reasonable trade developed in **ICI** (some 2m shares changed hands) which settled with a rise of ½ at £10½; the annual results are due on 25 February. The announcement of a US contract valued $9.25m enlivened interest in **Astra Holdings** which closed 1½ to the good at 40½p, while a revival of demand left **Sutcliffe Speakman** 12 higher at 156p.

Retailing issues, bruised recently by a number of profits downgradings by broking houses culminating in the move by James Capel, Citicorp Scrimgeour Vickers and Warburgs to lower their forecasts for Storehouse, staged a minor recovery. **Storehouse** rallied 2 to 233p, on a turnover of 2.5m shares, amid vague stories of a bid being triggered by the recent poor showing of the share price. Dealers were sceptical and pointed to the substantial number of Storhouse shares owned by Mountleigh and others. **Marks and Spencer**, also hit by a downgrading this week, were a firm market, improving in the wake of institutional demand to close 3 higher at 170p on a turnover of 4.7m shares.

Share Drug, recipient of a bid approach at the end of January, spurted 28 to 323p on talk that further news is imminent.

There were numerous heavy turnovers in the leading electricals and electronics issues. **Plessey** moved higher throughout the session and eventually settled 9 higher at 153p, after 155p, with buying interest again stimulated by vague takeover rumours and also the £36m army contract announced on Wednesday; the company's third quarter figures are scheduled for next Thursday.

British Telecom closed 4½ up at 245p with approaching 8m shares traded after the "buy" recommendation issued recently by Warburg Securities' electronics team. "Revenues will continue to grow at a faster rate than costs over the next three to five years allowing earnings and dividend growth to average around 12 per cent" say Warburgs.

STC were hit by reports of adverse comment in a trade magazine and dipped to 218p before closing only 2 down on balance at 221p.

GKN, assisted by news of the extension of its international interests in the production and supply of automotive transmission components, advanced 12 to 303p. The improvement, however, also gave rise to a revival of vague takeover talk. **Hawker**, the subject of rumours of Hanson stakebuilding recently, continued to make progress and closed 6 to the good at 475p.

Birmid Qualcast put on 8 to 368p awaiting the outcome of the Blue Circle bid.

Dalgety continued to twitch nervously while awaiting Monday's interim trading statement and ended another 5 lower at 303p. **Rowntree Mackintosh** shed a similar amount at 412p but **Glass Glover**, which announced higher annual profits last Friday, rose 5 to 170p. Comment that the **Barker & Dobson** bid for **Dee Corporation** was still an open contest helped the former gain 3 to 143p. Dee also improved to close at 187p.

Increased traded option activity led to support of **Ladbroke** which in turn aroused suggestions that a leading securities house was recommending the stock to clients. The close was 10 higher at 350p. **Trusthouse Forte** hardened following the confident tenour of the annual report.

The major international stocks opened on a firm note. Trading conditions, however, remained thin and, with market conditions becoming uncertain as the day progressed, final gains were only modest. Nevertheless, **Hanson** were again briskly traded in the wake of a buy recommendation from Warburg Securities, the investment house, and closed a shade firmer at 135½p for a two-day rise of 8½; some 8.7m shares went throught the Seaq system yesterday. **Reuters**, up 15 more at 495p, continued to move ahead strongly following a good response by the press and analysts to the preliminary figures. Around 2.9m shares changed hands. First quarter figures from **BOC Group** appeared to satisfy the market with the share price closing a shade dearer at 394p.

British Airways, reflecting the continuing rise in the air traffic figures, met with further demand and put on 4 more to 160p in a volume of some 5.8m shares. BA's third quarter figures are scheduled to be announced next Wednesday. The traffic figures, which are thought to be a good indicator of car rental business, directed buyers attentions to **Avis Europe** which moved up 10 to 308p.

Lucas Industries, one of the main suppliers to the automotive industry, regained 8 to 588p but recently-firm commercial vehicle manufacturer **ERF** encountered profit-taking and slipped back 8 to 255p. Elsewhere, **Alexanders** revived amid market rumours of a property revaluation and closed 4 higher at 23p. **Evans Halshaw** gained 13 to 248p.

Associated Newspapers reacted quite sharply to close 11 lower at 437p as an investment analyst downgraded his profits forecast because of the exceptional cost of the move from Fleet Street to Docklands. This could amount to £25m so the researcher has lowered his pre-tax estimate of current year profits from £70m to £41m. **United Newspapers** forged ahead further to 430p while **Reed International** recovered with the aid of bid influences to end 8 up to 388p.

British Land recovered most of the previous day's loss to close 10 better at 259p in the wake of the denial by Mr John Ritblat, the chairman, of insider trading in the shares of Peachey Property. Elsewhere, **Hammerson A** continued to advance amid persistent takeover talk and closed 26 higher at 536p. Occasional demand left **Land Securities** 7 to the good at 477p and **MEPC** 5 dearer at 457p. **Rivlin**, in contrast, ran back 8 to 106p after the recent bout of speculative activity.

Britannia Arrow drew fresh investment support in the wake of Wednesday's recommendation by Phillips & Drew and rose 5 more to 106p. Abingworth, the venture capital group, put on 7 at 230p, while **Smith New Court**, the independent securities house, rallied 5 to 165p.

Traditional Options

- **First dealings Feb 1**
- **Last dealings Feb 12**
- **Last declarations May 5**
- **For Settlement May 16**

For rate indications see end of London Share Service

A reasonably active trading session developed in the Traditional option market. Stocks dealt in for the call included **Amstrad, Blacks Leisure, Waterford Glass, Bolton Textile, Control Securities, Flessey, Eagle Trust, Far Eastern Resources, Norex, Inoco, Rea Bros., ERA Group** and **MBS**. A put was arranged in **Dee Corporation**, but no double options were reported.

FINANCIAL TIMES STOCK INDICES

	Feb. 11	Feb. 10	Feb. 9	Feb. 8	Feb. 5	Year Ago	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
Government Secs	88.53	88.63	88.43	88.17	89.08	85.86	93.52 (9/5/87)	83.73 (19/10/87)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	94.97	94.92	94.95	94.77	95.59	92.73	99.12 (15/6/87)	90.23 (2/1/87)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1381.0	1368.4	1355.9	1349.0	1387.1	1501.0	1926.2 (16/7/87)	1232.0 (9/11/87)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	252.7	259.0	254.5	249.0	251.0	319.0	497.5 (4/8/87)	241.7 (4/2/88)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.52	4.55	4.60	4.63	4.50	3.78				
Earnings Yld. % (full)	11.39	11.48	11.59	11.66	11.34	8.90				
P/E Ratio (net) (*)	10.73	10.64	10.54	10.48	10.77	13.77				
SEAQ Bargains (5pm)	21,593	20,733	22,634	27,892	27,484	44,204				
Equity Turnover (£m)	–	928.93	832.76	940.65	1019.98	1484.53				
Equity Bargains	–	24,397	26,138	31,715	32,179	65,420				
Shares Traded (ml)	–	332.0	331.0	434.9	455.8	520.1				

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1375.8	1381.6	1384.0	1384.1	1382.7	1383.7	1382.1	1379.6

Day's High 1386.3 Day's low 1375.6

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=10.64.

S.E ACTIVITY

Indices	Feb.10	Feb.9
Gilt Edged Bargains	102.6	137.5
Equity Bargains	158.8	169.4
Equity Value	1577.6	1642.8
5-Day average		
Gilt Edged Bargains	130.7	139.3
Equity Bargains	184.9	187.5
Equity Value	1968.6	1981.8

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

NEW HIGHS AND LOWS FOR 1987/88

NEW HIGHS (6)

BANKS (1) Bank Leumi, STORES (1) Blacks Leisure, INDUSTRIALS (1) Eurotunnel Warrants, PAPERS (1) Usher Walker, TRUSTS (1) River & Mercantile Stepped Pref., OILS (1) Britoil.

NEW LOWS (20)

CANADIANS (1) Armeco, FOODS (1) Danish Bacon, INDUSTRIALS (2) Brooks Service, Optical & Medical Intl., LEISURE (1) Molinare Visions, PROPERTY (2) BDA Hldgs., Clayform Prop Warrants, SOUTH AFRICANS (1) SASOL, TRUSTS (1) Framlington, OILS (1) Peregon Petroleum, MINES (10) East Rand Prop., West Rand, Leslie, Marievale, Anglo Am. Inv., New Wits, Doornkop Mining, Gen Exploration & Minerals, Ayer Hitam, McPhiley Red Lake.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA-MFI	1,800	Enterprise Oil	531	Prudential	499
Allied-Lyons	3,100	Fisons	1,700	Racal	1,700
Amstrad	7,200	General Accident	94	Rank Org.	439
Argyll Group	2,100	General Elect.	3,200	RMC	450

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	10	90	15
Corporations, Dominion and Foreign Bonds	3	21	31
Industrials	528	242	773
Financial and Properties	234	75	329
Oils	41	21	60
Plantations	0	2	11
Mines	45	44	109
Others	116	48	99
Totals	977	537	1,443

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

LONDON TRADED OPTIONS

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

FIXED INTEREST

†Opening index 1727.4; 10 am 1732.7; 11 am 1735.4; Noon 1735.4; 1 pm 1733.6; 2 pm 1734.1; 3 pm 1731.9; 3.30 pm 1728.4; 4 pm 1728.9

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

CONSTITUENT CHANGES: Chase Property (69) has been deleted.

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | GERMANY | ITALY | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | HONG KONG | SINGAPORE

[illegible]

CANADA

TORONTO

Closing prices February 11

[illegible]

MONTREAL

Closing prices February 11

[illegible]

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 31

[illegible]

Indices

NEW YORK — DOW JONES

[illegible]

CANADA

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Avis Europe	308	+	10
Dubilier	124	+	7
Evans Halshaw	248	+	18
GKN	313	+	13
Glass Glover	170	+	5
Hammerson A	536	+	26
Lec Refrigeration	325	+	15
Lucas Inds	586	+	8
Manders	382	+	22
Northern Foods	288	+	5
Pearl	443	+	30
Plessey	153	+	9
Polly Peck Intl	297	+	7
Reed Intl	388	+	8
Reuters B	483	+	15
Share Drug Stores	328	+	28
Ultramar	257	+	15
Willis Faber	228	+	9
Wimpey (G.)	243	+	10

FALLS

Treas 10% 2003	£103⅞	–	7/16
Assoc News	437	–	11
E.R.F (Hldgs)	255	–	8

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 31

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NYSE COMPOSITE CLOSING PRICES

Continued from Page 30

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
65	50	Xerox	3	5.4	10	6493	56	55¼	55½	−¼
58¼	52½	Xerox pf5.45		10.		474	53⅞	53¾	53¾	−⅛
31½	19⅛	XTRA	.64	2.3	14	326	28⅛	27⅜	28⅛	+⅞
28¼	19½	XTRA pf1.94		7.8		510	25	25	25	+¼
33⅞	17½	Yorkln			12	139	28⅛	28½	28	+1¾
7¼	2⅛	Zapata				321	3⅛	3	3⅛	
37	13½	Zayre	.40	2.1	7	10266	19¼	17⅞	18¾	+⅞
18⅛	6⅝	Zemex	.40	4.0	13	8	10⅛	10⅛	10⅛	
35⅝	10	ZenithE				1622	15⅝	15	15⅛	−⅜
13½	2½	ZenLab				328	2⅞	2¾	2¾	
25½	13½	ZenNtl	.80	4.4	9	99	18¼	18⅛	18¼	
20⅝	11⅜	Zero	.36	2.4	15	28	15⅛	15	15⅛	+⅛
30¾	15	Zurnin s .68		3.1	15	97	22⅛	21⅝	21¾	−¼
10⅝	7⅝	Zweig 1.08e		12.		840	9½	9½	9½	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 29

FINANCIAL TIMES Friday February 12 1988

AMERICA

Dow sluggish as market plunges into lethargy

Wall Street

AFTER STEALING the limelight on Wednesday with its best rally for some time, the stock market plunged back into lethargy yesterday as the focus returned to bonds, *writes Janet Bush in New York.*

The Dow Jones Industrial Average hardly moved throughout the session and closed 0.5 points lower at 1,961.54. Given this tiny movement, volume was surprisingly healthy at just over 200m shares. Meanwhile, US Treasury bonds slipped by around ⅜. The Treasury's 8.875 per cent benchmark long bond closed down ⅜ to yield 8.36 per cent.

The equity market's rally on Wednesday had seemed to draw inspiration from hopes of lower interest rates. For the same reason, the bond market had been strong.

Those hopes were undermined somewhat by yesterday's figures for January retail sales, which showed a rise of 0.5 per cent last month and a revised 1.2 per cent in December. Previously, the December gain had been reported as 0.7 per cent.

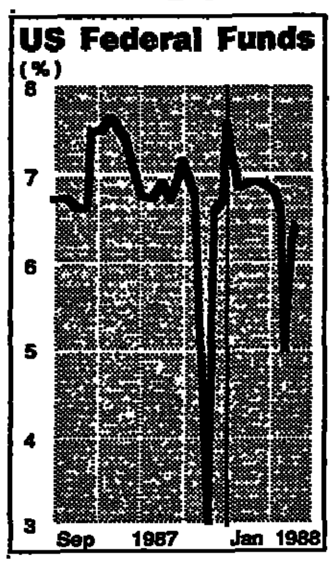
January's rise was slightly more than the market had expected and the shock was even greater because of the significant revision to December's figure and the fact that some forecasters had even looked for a small decline last month.

Economists at Griggs & Santow said: "These are not the sort of retail sales data one expects to see from an economy going into recession." They added that the figures suggested that the inventory overhang seen in the fourth quarter GNP figures looked as if it was being solved quite quickly. They also noted that the latest employment figures showed strength in retail sales employment.

Another negative figure for the recession lobby was yesterday's initial unemployment insurance claims, which fell 21,000 in the week ended January 30. Although these weekly figures tend to show falls during February, the declines in recent releases are in stark contrast to the very large weekly gains seen earlier in January.

Another bearish factor for bonds yesterday was the US Federal Reserve's market operations. The Fed executed five-day matched sales when Fed Funds were trading at 6⅝ per cent. It is always difficult to interpret exactly the Fed's thinking in day-to-day operations but bond market participants saw the action as an attempt to pull Fed Funds back over 6½ per cent, the level which many believe is the Fed's target.

The action was a disappointment for those who had looked for early signs of Fed easing after the Federal Open Market Committee meeting earlier this week.



The Fed Funds rate closed at its low for the day at 6⅛ per cent after the operation was announced, although this was still much higher than the rate of around 6⅛ per cent which prevailed for most of Wednesday.

Despite all this, both bond and equity markets traded quietly, partly influenced by the closure of Japanese banks for a holiday yesterday and partly because of caution prior to the US December trade figures.

In the equity market, blue chips were mixed. Coca-Cola added $⅜ to $36⅜, General Electric slipped $⅛ to $43⅛, Philip Morris edged $⅛ higher to $90⅝ and International Business Machines eased $⅜ to $111¼.

Merrill Lynch, which yesterday announced a reorganisation of its capital markets division, slipped $⅜ to $22⅝. Bear Stearns dropped $⅛ to $12⅞ after the company announced it had presented to a committee of independent directors of Jewelcor a proposal to acquire the company for between $15 and $16 a share. Jewelcor's stock jumped $3⅜ to $15⅞.

Canada

PAPERS AND metals offset losses by banks in a Toronto market that was nervous about today's US trade figures. Stocks were mixed at the close.

The composite index dipped 0.75 to 3038.7 while advances outpaced declines by 439 to 375 on moderate turnover of 23.4m shares.

Polysar Energy, which rejected Nova Corp's sweetened bid for a 20 per cent stake, was up C$⅜ to C$15⅛ in active trading. Nova, also actively traded, slumped C$⅜ to C$9⅝.

National Bank of Canada was down C$⅜ to C$9⅜ after announcing it would take a C$25m charge in the first quarter, reducing its profits, because of unauthorised transactions by one of its bond traders.

SOUTH AFRICA

A RENEWED fall in the bullion price to around $440 an ounce after Wednesday's brief respite sent gold stocks in Johannesburg lower in very thin trade. Highly nervous investors kept out of the market and the gold index fell 38 to 1,287.

Heavyweight Vaal Reefs dropped R17 to close at R245, Randfontein gave up R10 to R210 and Western Deep dropped R5 to end at R100.

Freegold was R1.50 lower at R30, Kloof dropped 75 cents to R29.75, Driefontein shed 75 cents to R33 and Hartles gave up 75 cents to R20.75.

Lightweight Leslie rose against the trend, gaining 10 cents to R1.80.

In mining houses, Anglo American fell 75 cents to R44.75 and Gencor was 50 cents lower at R20.75.

Diamond stock De Beers continued to be weak and slipped 75 cents to R22.50. Platinums gave up their gains of the previous day.

Industrial stocks ended narrowly mixed after a very quiet and lacklustre session. Barlow Rand up 25 cents to close at R18.75, South African Breweries was steady at R16 and Sasol closed unchanged at R690.

Janet Bush in New York talks to a driving force behind a hedging formula with changing parameters

Portfolio insurance faces 'dynamic readjustment'

IT ALL began when a professor from the University of Berkeley, California, took his sabbatical in France in 1977. Looking for a research subject, Professor Hayne Leland took to heart some advice from his brother, a principal in a San Francisco stock investment company, who suggested it would be a real benefit to society and might have economic value as well if somebody could come up with a way to insure against stock market losses.

So the hedging strategy called portfolio insurance was born. "It was sort of a joke because nobody assumed you could protect against the market. But Hayne did study that question and he found that, surprisingly, although there would clearly be a cost, it wasn't such a silly thing," says John O'Brien, who joined forces with Professor Leland and Mark Rubenstein, another Berkeley professor who specialised in options, to develop the necessary mathematical formulas and sell the idea of portfolio insurance to an unbelieving world.

In 1981, Leland O'Brien Rubenstein Associates was formed and, on the eve of the stock market crash on October 19, the company still dominated the portfolio insurance market.

The first experiment with portfolio insurance was small indeed. A number of companies decided to try out what Mr O'Brien, chairman and chief executive officer of LOR, calls the "dynamic adjustment process" in which the mix of a portfolio is shifted according to predetermined mathematical formulas to ensure a limit to any losses at the same time as significant potential for profits.

LOR implemented its formula on a portfolio of $500,000. "It performed exactly as advertised, much closer than one would expect in fact," Mr O'Brien says.

By autumn last year, either through direct management of funds or through its network of licensing agreements in which other banks paid to use the LOR formula, the company had more than half the market which has been variously estimated at $60bn to $80bn.

"We weren't offering a free lunch. It was just an unusual lunch. It didn't exist before. And it was attractive because how much to have in stocks and how and when to adjust it has always been a problem unless you thought you could forsee the future. Everybody who had gone for seeing the future had eventually shot themselves."

Everything changed on October 19. The success of the strategy had always been predicated on orderly markets in which trading was continuous and prices had integrity. The chaotic market conditions in the week of the crash put insupportable strain on the strategy.

Since October, the total of funds under portfolio insurance has dropped to less than half of what it was and portfolio insurers have borne the brunt of an emotional backlash against so-called derivative products. LOR has seen many of its clients pull out of the strategy and doesn't anticipate a revival of interest in hedging strategies at least for a few months and probably for another year.

Were investors guilty of blind faith in the qualities of portfolio insurance? "I don't think so. Simulations based on 1973/74, the only other major modern decline, showed the strategy would work just fine. It wouldn't have worked very well in 1929 - everybody knew that. Everybody was convinced not that portfolio insurance would work but that 1929 would not reoccur."

"What people believed in was the markets. But they are surprisingly fragile. The total amount attributed to portfolio selling just in the US was ¼ of 1 per cent of the total capitalisation of the New York Stock Exchange. To think that would drop prices 20 per cent was unthinkable.

One central idea is that portfolio trades should be more predictable and less frightening

Now we realise it is thinkable and unless the trading structure is changed, it could happen again."

Mr O'Brien believes the criticism of portfolio insurance is misguided and emotional although he says the insurers themselves can make a contribution to making markets more robust.

"Whenever there is any kind of giant event everyone wants to go back to a little grass shack in Hawaii. But eventually they come back to some middle ground which isn't quite so extreme in either direction."

He dismisses the notion, prevalent in the various reviews of the causes of the crash and certainly in the public and political perception, that portfolio insurance exacerbated the crash and that the solution lies in stricter regulations.

"We can't make the market work the way people want it to which is to go up without volatility. I think some people really believe the only reason the market doesn't go up smoothly is that there are evil forces on Wall Street and inappropriate regulations. As long as you let them believe that, they are going to wipe out professional investing."

He points out that the Dow Jones Industrial Average fell to within one per cent of the close on October 19 in mid-December after portfolio insurers had all but pulled out of the market altogether. And on the day of the crash itself, Sydney, London and Hong Kong were just as badly hit with no portfolio insurance.

The experience of those with insured porfolios was mixed but an average return on all LOR accounts for the year up to the close on Black Monday was 5.7 per cent (compared with minus 1.8 per cent if they had not been hedged and plus 7.7 per cent if chaotic market conditions had not prevented total adherence to the formulas).

There are more practical ways of tackling current fears of portfolio insurance, he argues. One central idea is that portfolio insurance trades should be more predictable and therefore less frightening.

In a more general sense, Wall Street should be more willing to trade with portfolio insurers, taking advantage of attractive spreads which are the necessary adjunct of high premiums paid by those buying the insurance. "The only way to hold back the tide of portfolio insurance is to create an equal force on the other side. I don't understand why Wall Street has taken an evangelical attitude about portfolio insurance instead of making money out of it."

There is no doubt that 1988 will be a hard year for LOR as the political debate about the crash rages on. In what sounds like an epitaph for portfolio insurance, Mr O'Brien says: "Some people paint it as a force of darkness - it never was. It wasn't inimicable to anybody - it was just different and society frequently ostracises anyone who is different or trying to do something different."

EUROPE

Optimism over trade data produces lively turnover

A STEADY dollar and optimism about today's US trade figures gave a strong fillip to turnover and prices in West Germany and France, both regarded as oversold. Takeover speculation continued to inject excitement into the Paris and Brussels bourses and trading was generally more lively throughout Europe, *writes Our Markets Staff.*

FRANKFURT saw its best volume so far this year as around DM2bn worth of shares changed hands in heavy buying by both domestic investors and foreigners. This was around 25 per cent up on volume at the start of the week. US orders for international favourites such as Daimler started coming in overnight as soon as Wall Street closed.

The FAZ index rose 10.06, or 2.4 per cent, to close at 429.83 as investors took encouragement from forecasts for the US deficit ranging as low as $9bn. The middle range was $13bn-$14bn. Analysts said a deficit in the lower range would underpin the dollar and could lead to a bounce in the European hard currency markets, but a higher figure would probably see the German markets drying up again.

Daimler jumped DM32, or 5 per cent, to DM631, while Siemens was DM16.50, or 4.6 per cent, higher at DM374, Deutsche Bank climbed DM21.30, or 5.5 per cent, to DM411.80, Allianz surged DM83.50, or 6.5 per cent, to DM1,365.

Bonds gained around 30 basis points in active trading. The Bundesbank sold only DM6.7m worth of paper after selling DM177.6m on Wednesday.

PARIS was buoyed by the dollar's firmness and continuing takeover rumours, and analysts said the pick-up in demand had spread from potential bid targets to blue chip stocks as domestic fund managers showed renewed confidence in the market.

News that no further privatisations were planned before the May presidential election took a weight off investors' minds and the market saw the first substantial foreign buying for several weeks. The CAC General index added 6.1 to 281.7.

London

UK securities tracked Wall Street for much of the day. Equities opened sharply better in response to Wall Street's overnight rise but quickly lost momentum when New York opened on a cool note.

The FT-SE 100 index closed a net 11.3 up at 1729.8, making a recovery of 35.3 points over the past three sessions.

Moulinex was suspended briefly after rising to its daily limit on takeover talk and closed FFr4 higher at FFr51. Compagnie du Midi, in which Generali of Italy now has some 9 per cent, rose FFr70 to FFr1,375.

Constructions firmed on news of a FFr83bn 10-year government programme of road building. Screg jumped FFr44 to FFr654 and Bouygues added FFr44 to FFr830.

BRUSSELS again featured a huge rise for Societe Generale de Belgique, which hit its third record high this week on 527,000 shares traded on the bourse. The price jumped BFr350, or 7.8 per cent, to BFr4,850, after hitting BFr5,000. This compares with the De Benedetti offer price of BFr4,000.

The rest of the market finished cautiously mixed, with Solvay dropping BFr250 to BFr9,900, while Gevaert continued its rise, adding BFr150 to BFr6,650.

MILAN shrugged off the latest political crisis to end slightly higher at the end of the monthly trading account.

In the De Benedetti empire, holding CIR added L34 to L3,685, but Cofide, another holding, eased L39 to L4,360.

AMSTERDAM advanced as strong interest in publishers and insurers spilled into the rest of the market. The ANP-CBS index rose 3.3 to 221.5, reflecting firmer internationals.

Shares of newspaper goup Audet soared Fl 22.50 to Fl 290 on belief that merger plans with publisher VNU could fail to materialise due to shareholder opposition. VNU was Fl 2.30 higher at Fl 69.

ZURICH took encouragement from firmer markets in Europe and the steady dollar. The Crédit Suisse index put on 6.1 to 433.3 in improved turnover.

Industrial blue chips were broadly higher. Brown Boveri rose SFr90 to SFr1,800 while Alusuisse gained SFr21 to SFr556 and Sulzer climbed SFr140 to SFr3,890.

STOCKHOLM rallied as Wall Street's overnight advance and softer domestic bond prices spurred buying in all sectors. The Affaersvaerlden index climbed 12.25, or 1.6 per cent, to 766 in bustling turnover.

Blue chips were broadly higher. Aga spurted SKr7 to SKr172, continuing to rise on its good results for 1987. Volvo surged SKr6 to SKr313.

ASIA

Investors seek cut-price stocks

THE STRONG showing by Wall Street on Wednesday provided an excuse for bargain-hunting in the leading Asian and Pacific markets yesterday.

Sydney rallied strongly from its 1988 lows and Hong Kong and Singapore both finished slightly higher. Japanese markets were closed for National Foundation Day.

Australia

GOLDS, resources and industrials all benefited from the 47.58 rise in the Dow Jones industrial average in New York overnight. Local institutions moved in to pick up stocks that had weakened considerably over the last week.

Turnover was a moderate 99m shares worth A$137m and the All Ordinaries index finished 24.4 higher at 1,195.2.

The gold index climbed back 41.5 points, or 3 per cent, to 1,396.3, shrugging off a slightly easier bullion price, and the All Industrials index recovered 28.7 ahead to 1,939.4.

Gold stocks to attract buying interest included Renison, up 40 cents at A$6.80, Metana, which added 20 cents to A$6, and Poseidon, up 10 cents at A$2.

In resources, MIM saw just over 10m shares worth A$13.4m traded as it rose 8 cents to A$1.

Among industrials, Elders IXL advanced 18 cents to A$2.93 following Wednesday's approval from the New Zealand Commerce Commission for it to take full control of three linked companies, Rada, NZ Forest Products and Crown Corp.

Hong Kong

THE ADVANCE in the US aided a technical recovery on local demand in Hong Kong, but trading remained very thin at HK$457m amid continued restraint before today's US trade figures and next week's Chinese New Year holidays.

The Hang Seng index rose 23.01 to 2,256.48 and the Hong Kong index added 16.09 to 1,474.76.

Newly-launched Hongkong Telecommunications warrants were traded actively, ending 12 cents higher at HK$1.76.

Singapore

INITIAL strength was undercut by light profit-taking in the afternoon, leaving the Straits Times industrial index just 8.96 higher at 866.70 in turnover of only 17.2m shares.

Selected blue chips posted good gains while Malaysian and lower-priced stocks attracted the most interest.

Sime Darby was steady at S$2.03 on 1m shares traded, while City Developments added 4 cents to S$2.37 on 820,000 shares.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of stocks per grouping)	THURSDAY FEBRUARY 11 1988 US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	WEDNESDAY FEBRUARY 10 1988 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1987/88 High	1987/88 Low	Year ago (approx)
Australia (93)	93.44	+2.5	78.78	87.16	5.21	91.16	76.72	85.25	180.81	85.36	106.95
Austria (16)	85.46	-0.9	72.05	74.97	2.80	86.28	72.62	75.68	102.87	85.46	93.87
Belgium (48)	114.64	+0.5	96.65	100.22	4.76	114.08	96.02	99.60	134.89	94.63	105.14
Canada (127)	110.27	+0.4	92.97	101.09	3.22	109.88	92.48	100.97	141.78	98.15	117.58
Denmark (38)	115.42	+0.7	97.31	101.72	2.91	114.57	96.43	100.94	124.83	98.18	117.41
Finland (23)	112.62	+0.9	94.95	96.88	1.86	111.59	93.92	95.95	-	-	-
France (123)	81.60	+2.6	68.80	73.18	4.08	79.50	66.91	71.21	121.82	72.77	109.69
West Germany (94)	72.92	+2.3	61.48	64.10	2.89	71.26	59.97	62.61	104.93	67.78	90.82
Hong Kong (46)	86.64	+1.4	73.05	86.73	4.88	85.46	71.93	85.58	158.68	73.92	108.25
Ireland (14)	107.47	-0.2	90.61	96.18	4.72	107.65	90.61	96.22	160.22	93.50	114.03
Italy (94)	64.89	+1.3	54.71	60.41	3.18	64.08	53.94	59.54	112.11	62.99	98.26
Japan (457)	149.01	-0.1	125.63	121.60	0.57	149.12	125.51	121.60	161.28	100.00	115.28
Malaysia (36)	109.33	+0.7	92.18	108.51	3.45	108.53	91.34	107.80	193.64	93.76	126.71
Mexico (14)	147.78	+4.2	124.59	369.19	0.96	141.76	119.31	354.15	422.59	90.07	124.87
Netherland (37)	98.11	+1.0	82.71	85.01	5.29	97.18	81.79	84.19	131.41	87.70	104.25
New Zealand (24)	67.09	+0.3	56.57	53.73	6.11	66.87	56.28	53.74	138.99	66.87	87.94
Norway (24)	102.20	-0.5	86.17	89.34	3.07	102.70	86.44	89.11	185.01	95.51	108.98
Singapore (26)	100.84	+1.3	85.02	93.73	2.55	99.56	83.79	92.61	174.28	81.21	113.22
South Africa (61)	119.88	+0.9	101.07	74.88	5.57	118.85	100.03	76.42	198.09	100.00	116.04
Spain (43)	134.42	+1.0	113.33	116.40	3.50	133.15	112.07	115.80	168.81	100.00	108.49
Sweden (32)	108.55	+1.9	91.52	97.06	2.71	106.58	89.70	95.14	136.64	88.50	98.32
Switzerland (53)	78.09	+0.6	65.84	67.15	2.48	77.64	65.34	66.71	111.11	73.65	97.38
United Kingdom (328)	125.87	+0.5	106.12	106.12	4.43	125.21	105.38	105.38	162.87	99.65	115.04
USA (586)	104.50	-0.2	88.11	104.50	3.57	104.77	88.18	104.77	137.42	91.21	113.88
Europe (967)	99.36	+1.1	83.77	86.08	3.97	98.30	82.73	85.07	130.02	92.25	105.36
Pacific Basin (682)	144.42	+0.0	121.76	118.91	0.78	144.40	121.54	118.81	158.77	100.00	114.59
Euro-Pacific (1649)	126.41	+0.3	106.58	105.82	1.79	125.98	106.03	105.37	143.65	100.00	110.92
North America (713)	104.81	-0.2	88.36	104.32	3.55	105.03	88.40	104.56	137.55	91.68	114.07
Europe Ex. UK (639)	82.91	+1.6	69.90	73.46	3.54	81.60	68.68	72.26	111.97	78.89	94.78
Pacific Ex. Japan (225)	89.13	+1.9	75.15	84.14	4.97	87.51	73.66	82.75	164.03	82.92	105.67
World Ex. US (1851)	125.81	+0.4	106.07	105.45	1.87	125.37	105.52	105.03	143.38	100.00	111.23
World Ex. UK (2109)	116.74	+0.1	98.42	104.98	2.24	116.61	98.15	104.85	138.82	100.00	112.00
World Ex. So. Af. (2376)	117.53	+0.1	99.09	105.30	2.43	117.36	98.77	105.10	139.47	100.00	112.25
World Ex. Japan (1980)	102.47	+0.3	86.39	96.79	3.76	102.15	85.98	96.50	134.22	92.98	110.84
The World Index (2437)	117.54	+0.1	99.10	105.08	2.45	117.37	98.79	104.90	139.73	100.00	112.27

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).
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Japanese market closed February 11.

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